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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।
Separate paging is given to this Part in order that it may be filed as a separate compilation.

LOK SABHA

The following Bill was introduced in Lok Sabha on the 29th February, 1968:—

*BILL No. 14 OF 1968

A Bill to give effect to the financial proposals of the Central Government for the financial year 1968-69.

BE it enacted by Parliament in the Nineteenth Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

Short title and commencement.

1. (*1*) This Act may be called the Finance Act, 1968.

(*2*) Save as otherwise provided in this Act, sections 2 to 33 shall be deemed to have come into force on the 1st day of April, 1968.

*The President has, in pursuance of clause (1) of article 117 and clause (1) of article 274 of the Constitution of India, recommended to Lok Sabha, the introduction of the Bill.

CHAPTER II

RATES OF INCOME-TAX AND ANNUITY DEPOSIT

Income-tax.

2. (*1*) Subject to the provisions of sub-sections (*2*) and (*3*), for the assessment year commencing on the 1st day of April, 1968, income-tax shall be charged at the rates specified in Part I of the First Schedule and, in the cases to which Paragraphs A, B, C and D of that Part apply, shall be increased by a surcharge for purposes of the Union and a special surcharge for purposes of the Union calculated in either case in the manner provided therein.

(*2*) In making any assessment for the assessment year commencing on the 1st day of April, 1968, where the total income of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956, includes any profits and gains from life insurance business, the income-tax payable by it shall be the aggregate of the income-tax calculated— 31 of 1956.

(*i*) on the amount of profits and gains from life insurance business so included, at the rate applicable in the case of the Life Insurance Corporation of India, in accordance with Paragraph E of Part I of the First Schedule, to that part of its total income which consists of profits and gains from life insurance business; and

(*ii*) on the remaining part of its total income, at the rate applicable to the company on its total income

(*3*) In cases to which Chapter XII of the Income-tax Act, 1961 (hereinafter referred to as the Income-tax Act) applies, the tax chargeable shall be determined as provided in that Chapter, and with reference to the rates imposed by sub-section (*1*) or the rates as specified in that Chapter, as the case may be. 43 of 1961.

(*4*) In cases in which tax has to be deducted under sections 193, 194, 194A and 195 of the Income-tax Act at the rates in force, the deduction shall be made at the rates specified in Part II of the First Schedule

(*5*) In cases in which income-tax has to be calculated under the first proviso to sub-section (*5*) of section 132 of the Income-tax Act or charged under sub-section (*4*) of section 172 or sub-section (*2*) of section 174 or section 175 or sub-section (*2*) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or deducted under sub-section (*9*) of section 80E of the said Act from any payment referred to in the said sub-section (*9*) or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance tax" shall be so calculated, charged, deducted or computed at the rate or rates specified in Part III of the First Schedule.

(6) For the purposes of this section and the First Schedule,—

(a) "company in which the public are substantially interested" means a company which is such a company as is referred to in section 108 of the Income-tax Act;

(b) "domestic company" means an Indian company, or any other company which, in respect of its income liable to income-tax under the Income-tax Act for the assessment year commencing on the 1st day of April, 1968, has made the prescribed arrangements for the declaration and payment within India of the dividends (including dividends on preference shares) payable out of such income in accordance with the provisions of section 194 of that Act;

(c) "earned income" and "unearned income" shall have the meanings respectively assigned to them in clause (c) and clause (f) of sub-section (7) of section 2 of the Finance (No. 2) Act, 1967;

20 of 1967.

(d) "industrial company" means a company which is mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining.

Explanation.—For the purposes of this clause, a company shall be deemed to be mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining, if the income attributable to any one or more of the aforesaid activities included in its total income of the previous year (as computed before making any deduction under Chapter VIA of the Income-tax Act) is not less than fifty-one per cent. of such total income;

(e) "tax free security" means any security of the Central Government issued or declared to be income-tax free, or any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government;

(f) all other words and expressions used in this section and the First Schedule but not defined in this sub-section and defined in the Income-tax Act shall have the meanings respectively assigned to them in that Act.

Annuity deposit.

3. (1) Save as otherwise provided in Chapter XXIIA of the Income-tax Act, annuity deposit for the assessment year commencing on the 1st day of April, 1968 shall be made by every person to whom the provisions of that Chapter apply, at the rate or rates specified in the Second Schedule.

(2) For the purposes of this section and the Second Schedule, the expressions "adjusted total income", "annuity deposit" and

"depositor" have the meanings respectively assigned to them under clauses (*1*), (*5*) and (*6*) of section 280B of the Income-tax Act.

CHAPTER III

INCOME-TAX

Amendment of section 2.

4. In section 2 of the Income-tax Act, in sub-clause (*i*) of clause (37A), after the word '"Salaries"', the words, brackets, figures and letter "or sub-section (*9*) of section 80E from any payment referred to therein" shall be inserted.

Insertion of new sections 35B and 25C.

5. After section 35A of the Income-tax Act, the following sections shall be inserted, namely:—

Export markets development allowance.

'35B. (*1*) (*a*) Where an assessee, being a domestic company or a person (other than a company) who is resident in India, has incurred after the 29th day of February, 1968, whether directly or in association with any other person, any expenditure (not being in the nature of capital expenditure or personal expenses of the assessee) referred to in clause (*b*), he shall, subject to the provisions of this section, be allowed a deduction of a sum equal to one and one-third times the amount of such expenditure incurred during the previous year.

(*b*) The expenditure referred to in clause (*a*) is that incurred wholly and exclusively on—

(*i*) advertisement or publicity outside India in respect of the goods, services or facilities which the assessee deals in or provides in the course of his business;

(*ii*) obtaining information regarding markets outside India for such goods, services or facilities;

(*iii*) distribution, supply or provision outside India of such goods, services or facilities;

(*iv*) maintenance outside India of a branch, office or agency for the promotion of the sale outside India of such goods, services or facilities;

(*v*) preparation and submission of tenders for the supply or provision outside India of such goods, services or facilities, and activities incidental thereto;

(*vi*) furnishing to a person outside India samples or technical information for the promotion of the sale of such goods, services or facilities;

(*vii*) travelling outside India for the promotion of the sale outside India of such goods, services or facilities, including travelling outward from, and return to, India;

(*viii*) performance of services outside India in connection with, or incidental to, the execution of any contract for

the supply outside India of such goods, services or facilities;

(*ix*) such other activities for the promotion of the sale outside India of such goods, services or facilities as may be prescribed.

Explanation.—In this section, "domestic company" shall have the meaning assigned to it in clause (2) of section 80B.

(2) Where a deduction under this section is claimed and allowed for any assessment year in respect of any expenditure referred to in sub-section (*1*), deduction shall not be allowed in respect of such expenditure under any other provision of this Act for the same or any other assessment year.

Agricultural development allowance.

35C. (*1*) (*a*) Where any company is engaged in the manufacture or processing of any article or thing which is made from, or uses in such manufacture or processing as raw materials, any product of agriculture, animal husbandry, or dairy or poultry farming, and has incurred, after the 29th day of February, 1968, whether directly or through an association or body which has been approved for the purposes of this section by the prescribed authority, any expenditure in the provision of any goods, services or facilities specified in clause (*b*) to a person [not being a person referred to in clause (*b*) of sub-section (2) of section 40A] who is a cultivator, grower or producer of such product in India, the company shall, subject to the provisions of this section, be allowed a deduction of a sum equal to one and one-fifth times the amount of such expenditure incurred during the previous year.

(*b*) The goods, services or facilities referred to in clause (*a*) are the following:—

(*i*) fertilisers, seeds, pesticides, tools or implements, for use by such cultivator, grower or producer;

(*ii*) services of technicians for dissemination of information on modern agricultural techniques or advice on such techniques;

(*iii*) demonstration of modern agricultural techniques or methods;

(*iv*) such other goods, services or facilities as may be prescribed.

Explanation.—In computing the expenditure with reference to which deduction under this section is to be allowed, the amount, if any, received by the company in consideration of, or as compensation for, such goods, services or facilities shall be deducted.

(2) Where a deduction under this section is claimed and allowed for any assessment year in respect of any expenditure of the nature

specified in sub-section (*1*), deductions shall not be allowed in respect of such expenditure under any other provision of this Act for the same or any other assessment year.'.

Amendment of section 37.

6. In section 37 of the Income-tax Act, after sub-section (*2A*), the following *Explanation* shall be inserted, namely:—

'*Explanation.*—For the purposes of this sub-section, "entertainment expenditure" includes—

(*i*) the amount of any allowance in the nature of entertainment allowance granted by the assessee to any employee or other person;

(*ii*) the amount of any expenditure in the nature of entertainment expenditure [not being expenditure incurred out of an allowance of the nature referred to in clause (*i*)] incurred for the purposes of the business or profession of the assessee by any employee or other person.'.

Insertion of new section 40A.

7. After section 40 of the Income-tax Act, the following section shall be inserted, namely:—

Expenses or payments not deductible in certain circumstances.

'40A. (*1*) The provisions of this section shall have effect notwithstanding anything to the contrary contained in any other provision of this Act relating to the computation of income under the head "Profits and gains of business or profession".

(*2*) (*a*) Where the assessee incurs any expenditure in respect of which payment has been or is to be made to any person referred to in clause (*b*) of this sub-section, and the Income-tax Officer is of opinion that such expenditure is excessive or unreasonable having regard to the fair market value of the goods, services or facilities for which the payment is made or the legitimate needs of the business or profession of the assessee or the benefit derived by or accruing to him therefrom, so much of the expenditure as is so considered by him to be excessive or unreasonable shall not be allowed as a deduction:

Provided that the provisions of this section shall not apply in the case of an assessee being a company in respect of any expenditure to which sub-clause (*i*) of clause (*c*) of section 40 applies.

(*b*) The persons referred to in clause (*a*) are the following, namely:—

(*i*) where the assessee is an individual	any relative of the assessee;
(*ii*) where the assessee is a company, firm, association of persons or Hindu undivided family	any director of the company, partner of the firm, or member of the association or family, or any relative of such director, partner or member

(*iii*) any individual who has a substantial interest in the business or profession of the assessee, or any relative of such individual;

(*iv*) a company, firm, association of persons or Hindu undivided family having a substantial interest in the business or profession of the assessee or any director, partner or member of such company, firm, association or family, or any relative of such director, partner or member;

(*v*) a company, firm, association of persons or Hindu undivided family of which a director, partner or member, as the case may be, has a substantial interest in the business or profession of the assessee or any director, partner or member of such company, firm, association or family or any relative of such director, partner or member;

(*vi*) any person who carries on a business or profession,—

(*A*) where the assessee being an individual, or any relative of such assessee, has a substantial interest in the business or profession of that person; or

(*B*) where the assessee being a company, firm, association of persons or Hindu undivided family, or any director of such company, partner of such firm or member of the association or family, or any relative of such director, partner or member, has a substantial interest in the business or profession of that person.

Explanation.—For the purposes of this sub-section, a person shall be deemed to have a substantial interest in a business or profession, if,—

(*a*) in a case where the business or profession is carried on by a company, such person is, at any time during the previous year, the beneficial owner of shares (not being shares entitled to a fixed rate of dividend whether with or without a right to participate in profits) carrying not less than twenty per cent. of the voting power; and

(*b*) in any other case, such person is, at any time during the previous year, beneficially entitled to not less than twenty per cent. of the profits of such business or profession.

(3) Where the assessee incurs any expenditure in respect of which payment is made, after such date (not being later than the 31st day of March, 1969) as may be specified in this behalf by the Central Government by notification in the Official Gazette, in a sum exceeding two thousand five hundred rupees otherwise than by a crossed cheque drawn on a bank or by a crossed bank draft, such expenditure shall not be allowed as a deduction:

Provided that where an allowance has been made in the assessment for any year not being an assessment year commencing prior to the 1st day of April, 1969 in respect of any liability incurred by the assessee for any expenditure and subsequently during any previous year the assessee makes any payment in respect thereof in a sum exceeding two thousand five hundred rupees otherwise than by a crossed cheque drawn on a bank or by a crossed bank draft, the allowance originally made shall be deemed to have been wrongly made and the Income-tax Officer may recompute the total income of the assessee for the previous year in which such liability was incurred and make the necessary amendment, and the provisions of section 154 shall, so far as may be, apply thereto, the period of four years specified in sub-section (7) of that section being reckoned from the end of the assessment year next following the previous year in which the payment was so made:

Provided further that no disallowance under this sub-section shall be made where any payment in a sum exceeding two thousand five hundred rupees is made otherwise than by a crossed cheque drawn on a bank or by a crossed bank draft, in such cases and under such circumstances as may be prescribed, having regard to the nature and extent of banking facilities available, considerations of business expediency and other relevant factors.'.

Amendment of section 58.

8. Section 58 of the Income-tax Act shall be re-numbered as sub-section (1) thereof and after sub-section (1) as so re-numbered, the following sub-section shall be inserted, namely:—

'(2) The provisions of section 40A shall, so far as may be, apply in computing the income chargeable under the head "Income from other sources" as they apply in computing the income chargeable under the head "Profits and gains of business or profession".'.

Amendment of section 80K.

9. In section 80K of the Income-tax Act, for the words "being the holder of any share or shares in a company, includes any income by way of dividends paid or deemed to have been paid to him", the words "being the owner of any share or shares in a company, includes any income by way of dividends paid or deemed to have been paid" shall be substituted.

Amendment of section 80M.

10. In section 80M of the Income-tax Act, in sub-section (1), the words "received by it", wherever they occur, shall be omitted.

Insertion of new section 141A.

11. After section 141 of the Income-tax Act, the following section shall be inserted, namely:—

Provisional assessment for refund.

"141A. (*1*) Where a return has been furnished under section 139 and the assessee claims that the tax paid or deemed to have been paid under the provisions of Chapter XVII-B or Chapter XVII-C exceeds the tax payable on the basis of the return and the accounts and documents accompanying it, the Income-tax Officer may, if he is of opinion that the regular assessment of the assessee is likely to be delayed, proceed to make, in a summary manner, a provisional assessment of the sum refundable to the assessee, on the basis of such return, accounts and documents.

(*2*) In making any assessment under this section due effect shall be given to—

(*a*) the allowance referred to in sub-section (*2*) of section 32; and

(*b*) any loss carried forward under sub-section (*1*) of section 72 or sub-section (*2*) of section 73 or sub-section (*1*) of section 74.

(*3*) A firm may be assessed under sub-section (*1*) as an unregistered firm, except in the following cases, where it shall be assessed as a registered firm—

(*a*) where the firm was assessed as a registered firm for the latest assessment year for which its assessment has been completed, and it has before the expiry of the period laid down in Chapter XVI-B filed its application for registration or declaration under sub-section (*7*) of section 184 for the assessment year for which the provisional assessment is to be made;

(*b*) where no regular assessment has been made on the firm for any assessment year preceding the assessment year for which the provisional assessment is to be made, and the firm has, before the expiry of the period laid down in Chapter XVI-B filed its application for registration, or declaration as aforesaid, for the assessment year for which the provisional assessment is to be made.

(*4*) After a regular assessment has been made, any amount refunded on provisional assessment made under sub-section (*1*) shall be dealt with in the manner specified hereunder, namely:—

(*a*) where the sum refundable on regular assessment is equal to or exceeds the amount refunded under sub-section (*1*), the amount so refunded shall be deemed to have been refunded towards the regular assessment;

(*b*) where no refund is due on regular assessment or the amount refunded under sub-section (*1*) exceeds the amount refundable on regular assessment, the whole or the excess amount so refunded shall be deemed to be tax payable by the assessee and the provisions of this Act shall apply accordingly.

(*5*) Nothing done or suffered by reason or in consequence of any provisional assessment made under this section shall prejudice the determination, on the merits, of any issue which may arise in the course of the regular assessment.

(*6*) There shall be no right of appeal against a provisional assessment made under sub-section (*1*).".

Amendment of section 153.

12. In section 153 of the Income-tax Act, in sub-section (*1*), for clause (*a*), the following clause shall be substituted, namely:—

"(*a*) the expiry of—

(*i*) four years from the end of the assessment year in which the income was first assessable, where such assessment year is an assessment year commencing on or before the 1st day of April, 1968; and

(*ii*) two years from the end of the assessment year in which the income was first assessable, where such assessment year is an assessment year commencing on or after the 1st day of April, 1969; or".

Amendment of section 192.

13. In section 192 of the Income-tax Act, in sub-section (*1*), for the words "rates of tax in force", the words "rates in force" shall be substituted.

Amendment of section 194A.

14. In section 194A of the Income-tax Act,—

(*a*) in sub-section (*2*), for the words "be signed in the presence of a Gazetted Officer of the Central or a State Government and bear an attestation by such Officer to the effect that the person who has signed the statement is known to him.", the following shall be substituted, namely:—

"be signed in the presence of—

(*a*) a Member of Parliament or a State Legislature; or

(*b*) a member of a District Council or a Metropolitan Council, a Municipal Corporation or Municipal Committee; or

(*c*) a Gazetted Officer of the Central or a State Government; or

(*d*) an officer of any banking company (including a co-operative bank) of the rank of sub-agent, agent or manager,

and bear an attestation by such member or officer to the effect that the person who has signed the statement is known to him.";

(*b*) in sub-section (*3*),—

(*i*) in sub-clause (*f*) of clause (*iii*), after the words "institution, association or body", the words "or class of institutions, associations or bodies" shall be inserted;

(*ii*) after clause (*iii*), the following clauses shall be inserted, namely:—

"(*iv*) to such income credited or paid by a firm to a partner of the firm;

(*v*) to such income credited or paid by a co-operative society to any other co-operative society.'.

15. In section 199 of the Income-tax Act,— Amendment of section 199.

(*a*) after the words "in the assessment", the brackets, words, figures and letter "(including a provisional assessment under section 141A)" shall be inserted;

(*b*) for the existing provisos, the following provisos shall be, and shall be deemed always to have been, substituted, namely:—

"Provided that—

(*i*) in a case where such person or owner or shareholder is a person whose income is included under the provisions of section 60, section 61, section 64, section 93 or section 94 in the total income of another person, the payment shall be deemed to have been made on behalf of, and the credit shall be given to, such other person;

(*ii*) in any other case, where the dividend on any share is assessable as the income of a person other than the shareholder, the payment shall be deemed to have been made on behalf of, and the credit shall be given to, such other person in such circumstances as may be prescribed:

Provided further that where any security or share in a company is owned jointly by two or more persons not constituting a partnership, the payment shall be deemed to have been made on behalf of, and the credit shall be given to, each

such person in the same proportion in which the interest on such security or dividend on such share is assessable as his income.".

Amendment of section 214.

16. In section 214 of the Income-tax Act,—

(*i*) to sub-section (*1*), the following proviso shall be added, namely:—

"Provided that in respect of any amount refunded on a provisional assessment under section 141A, no interest shall be paid for any period after the date of such provisional assessment.";

(*ii*) after sub-section (*1*), the following sub-section shall be inserted, namely:—

"(*1A*) Where on completion of the regular assessment the amount on which interest was paid under sub-section (*1*) has been reduced, the interest shall be reduced accordingly and the excess, if any, paid shall be deemed to be tax payable by the assessee and the provisions of this Act shall apply accordingly.".

Amendment of section 219

17. To section 219 of the Income-tax Act, the following proviso shall be added, namely.—

"Provided that where, before the completion of the regular assessment, a provisional assessment is made under section 141A, the credit shall be given also in such provisional assessment.".

Amendment of section 239.

18. In section 239 of the Income-tax Act, for sub-section (*2*), the following sub-section shall be substituted, namely:—

"(*2*) No such claim shall be allowed, unless it is made within the period specified hereunder, namely:—

(*a*) where the claim is in respect of income which is assessable for any assessment year commencing on or before the 1st day of April, 1968, four years from the last day of such assessment year;

(*b*) where the claim is in respect of income which is assessable for any other assessment year, two years from the last day of such assessment year.".

Amendment of section 271.

19. In section 271 of the Income-tax Act, in sub-section (*1*), for clause (*iii*), the following clause shall be substituted, namely:—

"(*iii*) in the cases referred to in clause (c), in addition to any tax payable by him, a sum which shall not be less than, but which shall not exceed twice, the amount of the income in respect

of which the particulars have been concealed or inaccurate particulars have been furnished.".

Amendment of section 276

20. In section 276 of the Income-tax Act, in clause (*d*), the words, figures and letter "by the provisions of Chapter XVII-B or" shall be omitted.

Insertion of new section 276B.

21. After section 276A of the Income-tax Act, the following section shall be inserted, namely:—

Failure to deduct and pay tax.

"276B. If a person, without reasonable cause or excuse, fails to deduct or after deducting fails to pay the tax as required by or under the provisions of sub-section (*9*) of section 80E or Chapter XVII-B, he shall be punishable with rigorous imprisonment for a term which may extend to six months, and shall also be liable to fine which shall be not less than a sum calculated at the rate of fifteen per cent. per annum on the amount of such tax from the date on which such tax was deductible to the date on which such tax is actually paid.".

Amendment of section 279.

22. In section 279 of the Income-tax Act, in sub-section (*1*), after the word, figures and letter "section 276A", the words, figures and letter "or section 276B" shall be inserted.

Amendment of section 280C.

23. In section 280C of the Income-tax Act,—

(*a*) in sub-section (*1*), for the words "Where any Central Act enacts", the words, figures and letters "Where, in relation to any assessment year, not being an assessment year commencing on or after the 1st day of April, 1969, any Central Act enacts" shall be substituted;

(*b*) in clause (*ii*) of sub-section (*2*), after the words "or any subsequent assessment year", the words, figures and letters "not being an assessment year commencing on or after the 1st day of April, 1969" shall be inserted.

Amendment of section 280O.

24. In section 280O of the Income-tax Act, in the proviso to sub-section (*1*), after the words "or any subsequent assessment year", the brackets, words, figures and letters "(not being an assessment year commencing on or after the 1st day of April, 1969)" shall be inserted.

Amendment of section 280X.

25. In section 280X of the Income-tax Act, in sub-section (*1*), after the words "or any subsequent assessment year", the brackets, words, figures and letters "(not being an assessment year commencing on or after the 1st day of April, 1969)" shall be inserted.

Amendment of section 280Z.

26. In section 280Z of the Income-tax Act, for sub-section (*6*), the following sub-section shall be substituted, namely:—

"(*6*) The amount shown on a tax credit certificate granted to an individual or Hindu undivided family shall, on the certificate being produced before the Income-tax Officer, be adjusted against any liability of such individual or Hindu undivided family under the Indian Income-tax Act, 1922, or this Act, existing on the date on which the certificate was produced before the Income-tax Officer and where the amount of such certificate exceeds such liability, or where there is no such liability, the excess or the whole of such amount, as the case may be, shall, notwithstanding anything contained in Chapter XIX, be deemed, on the said date, to be refund due to such individual or Hindu undivided family, as the case may be, under that Chapter and the provisions of this Act shall apply accordingly.". 11 of 1922.

Amendment of section 280ZA.

27. In section 280ZA of the Income-tax Act, for sub-section (*3*), the following sub-section shall be substituted, namely:—

"(*3*) The amount shown on a tax credit certificate granted to a public company under this section shall, on the certificate being produced before the Income-tax Officer, be adjusted against any liability of the company under the Indian Income-tax Act, 1922, or this Act, existing on the date on which the certificate was produced before the Income-tax Officer and where the amount of such certificate exceeds such liability, or where there is no such liability, the excess or the whole of such amount, as the case may be, shall, notwithstanding anything contained in Chapter XIX, be deemed, on the said date, to be refund due to such company under that Chapter and the provisions of this Act shall apply accordingly.". 11 of 1922.

Amendment of section 280ZB.

28. In section 280ZB of the Income-tax Act, in sub-section (*2*), for the portion beginning with the words "The amount shown on a tax credit certificate" and ending with the words "shall apply accordingly:", the following shall be substituted, namely:—

"The amount shown on a tax credit certificate granted to any company under this section shall, on the certificate being produced before the Income-tax Officer, be adjusted against any liability of the company under the Indian Income-tax Act, 1922, or this Act, existing on the date on which the certificate was produced before the Income-tax Officer and where the amount of such certificate exceeds such liability, or where there is no such liability, the excess or the whole of such amount, as the case may be, shall, notwithstanding anything contained in Chapter XIX, be deemed, on the said date, to be refund due to such company under that Chapter and the provisions of this Act shall apply accordingly:". 11 of 1922.

Amendment of section 280ZD.

29. In section 280ZD of the Income-tax Act, in sub-section (5), for the portion beginning with the words "The amount shown on a tax credit certificate" and ending with the words "shall apply accordingly:", the following shall be substituted, namely:—

"The amount shown on a tax credit certificate granted to any person under this section shall, on the certificate being produced before the Income-tax Officer, be adjusted against any liability of that person under the Indian Income-tax Act, 1922, or this Act, existing on the date on which the certificate was produced before the Income-tax Officer and where the amount of such certificate exceeds such liability, or where there is no such liability, the excess or the whole of such amount, as the case may be, shall, notwithstanding anything contained in Chapter XIX, be deemed on the said date, to be refund due to such person under that Chapter and the provisions of this Act shall apply accordingly:".

11 of 1922.

Certain amendments in the Income-tax Act to take effect from 1st April, 1969.

30. The amendments directed in the Third Schedule shall be made in the Income-tax Act with effect from the 1st day of April, 1969,

Special provisions in regard to certain assessments under the Income-tax Act.

31. (*1*) Notwithstanding the omission of section 85 of the Income-tax Act by section 33 of the Finance (No. 2) Act, 1967, the provisions of the said section 85 shall have, and be deemed always to have, in relation to any assessment for the assessment year commencing on or after the 1st day of April, 1962, and before the 1st day of April, 1968, effect subject to the modification that for the words "by a shareholder in respect of so much of any dividend paid or deemed to be paid to him", the words "by an owner of the shares in respect of so much of any dividend paid or deemed to be paid" were substituted.

20 of 1967.

(*2*) Notwithstanding the omission of section 85A of the Income-tax Act by section 33 of the Finance (No. 2) Act, 1967, the provisions of the said section 85A shall have, and be deemed always to have, in relation to any assessment for the assessment year commencing on or after the 1st day of April, 1965, and before the 1st day of April, 1968, effect subject to the modification that the words "received by it", wherever they occur, were omitted.

20 of 1967.

(*3*) Notwithstanding the omission of section 99 of the Income-tax Act by section 29 of the Finance Act, 1965, the provisions of clause

10 of 1965.

(*iv*) of sub-section (*1*) of the said section 99 shall have, and be deemed always to have, in relation to any assessment for the assessment year commencing on or after the 1st day of April, 1962, and before the 1st day of April, 1965, effect subject to the modification that the words "received by it" were omitted.

CHAPTER IV

OTHER DIRECT TAXES

Amendment of Act 27 of 1957.

32. In the Wealth-tax Act, 1957,—

(*a*) in section 5, in sub-section (*1*),—

(*i*) in clause (*xvi*), the words "held by the assessee" shall be omitted with effect from the 1st day of April, 1969;

(*ii*) after clause (*xvii*), the following clause shall be inserted with effect from the 1st day of April, 1969, namely:—

"(*xvii-a*) the amount standing to the credit of an individual in any provident fund set up by the Central Government and notified by it in this behalf in the Official Gazette;";

(*b*) in section 18, in sub-section (*1*),—

(*i*) for clause (*iii*), the following clause shall be substituted, namely:—

"(*iii*) in the cases referred to in clause (*c*), in addition to any wealth-tax payable by him, a sum which shall not be less than, but which shall not exceed twice, the amount representing the value of any assets in respect of which the particulars have been concealed or any assets or debts in respect of which inaccurate particulars have been furnished.";

(*ii*) the existing *Explanation*, shall be re-numbered as *Explanation* 1 and after *Explanation* 1 as so re-numbered, the following *Explanations* shall be inserted, namely:—

"*Explanation* 2.—For the removal of doubts, it is hereby declared that a person shall, for the purposes of

clause (c), be deemed to have concealed the particulars of any asset or furnished inaccurate particulars of any asset or debt if he has understated the value of the asset or overstated the value of the debt in a return made under section 14 or section 15.

Explanation 3.—For the purposes of clause (iii)—

(*a*) the amount representing the value of any assets in respect of which the particulars have been concealed or any assets in respect of which inaccurate particulars have been furnished, shall be the value of such assets determined for the purposes of this Act as reduced by the value thereof, if any, declared in the return made under section 14 or section 15;

(*b*) the amount representing the value of any debts in respect of which inaccurate particulars have been furnished, shall be the amount by which the value of such debts declared in the return made under section 14 or section 15 exceeds the value thereof determined for the purposes of this Act";

(c) in the Schedule, in Paragraph A of Part I, for clauses (*a*) and (*b*), the following clauses shall be substituted, with effect from the 1st day of April, 1969, namely: —

	Rate of tax
"(*a*) In the case of every individual :—	
(*i*) where the net wealth does not exceed Rs 1,00,000	*Nil*;
(*ii*) where the net wealth exceeds Rs. 1,00,000 but does not exceed Rs 5,00,000	0·5 per cent. of the amount by which the net wealth exceeds Rs. 1,00,000;
(*iii*) where the net wealth exceeds Rs. 5,00,000 but does not exceed Rs. 10,00,000	Rs. 2,000 *plus* 1 per cent. of the amount by which the net wealth exceeds Rs. 5,00,000;
(*iv*) where the net wealth exceeds Rs. 10,00,000 but does not exceed Rs. 20,00,000	Rs. 7,000 *plus* 2·5 per cent. of the amount by which the net wealth exceeds Rs. 10,00,000 ;

(*v*) where the net wealth exceeds Rs. 20,00,000	Rs. 32,000 *plus* 3 per cent.	of the amount by which the net wealth exceeds Rs. 20,00,000.

(*b*) In the case of every Hindu undivided family :—

(*i*) where the net wealth does not exceed Rs. 2,00,000	*Nil* ;	
(*ii*) where the net wealth exceeds Rs. 2,00,000 but does not exceed Rs. 5,00,000	0·5 per cent.	of the amount by which the net wealth exceeds Rs. 2,00,000;
(*iii*) where the net wealth exceeds Rs. 5,00,000 but does not exceed Rs 10,00,000	Rs. 1,500 *plus* 1 per cent.	of the amount by which the net wealth exceeds Rs. 5,00,000;
(*iv*) where the net wealth exceeds Rs. 10,00,000 but does not exceed Rs. 20,00,000	Rs. 6,500 *plus* 2·5 per cent.	of the amount by which the net wealth exceeds Rs. 10,00,000 ;
(*v*) where the net wealth exceeds Rs. 20,00,000	Rs. 31,500 *plus* 3 per cent.	of the amount by which the net wealth exceeds Rs. 20,00,000".

Amendment of Act 7 of 1964.

33. In the Companies (Profits) Surtax Act, 1964, in the Third Schedule,—

(*a*) the figure "1", occurring before the words "On the amount by which" shall be omitted;

(*b*) for the figures and words "35 per cent.", the figures and words "25 per cent." shall be substituted with effect from the 1st day of April, 1969.

CHAPTER V

INDIRECT TAXES

Amendment of Act 32 of 1934.

34. The Indian Tariff Act, 1934 (hereinafter referred to as the Tariff Act) shall be amended in the manner specified in the Fourth Schedule.

Special duties of customs.

35. (*1*) In the case of goods chargeable with a duty of customs which is specified in the First Schedule to the Tariff Act, or in that Schedule as amended by a subsequent Central Act, if any, or in that

Schedule read with any notification of the Central Government for the time being in force, there shall be levied and collected as an addition to, and in the same manner as, the total amount so chargeable, a special duty of customs equal to 10 per cent. of such amount:

Provided that in computing the total amount so chargeable, any duty chargeable under section 2A of the Tariff Act or section 36 of this Act shall not be included.

(2) Sub-section (1) shall cease to have effect after the 31st day of March, 1969, except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act, 1897, shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

10 of 1897

Regulatory duties of customs.

36. (1) With a view to regulating or bringing greater economy in imports, there shall be levied and collected, with effect from such date, and at such rate, as may be specified in this behalf by the Central Government by notification in the Official Gazette, on all or any of the goods mentioned in the First Schedule to the Tariff Act or in that Schedule as amended by a subsequent Central Act, if any, a regulatory duty of customs not exceeding--

(a) 25 per cent. of the rate, if any, specified in the said First Schedule read with any notification issued under section 3A, or sub-section (1) of section 4, of the Tariff Act; or

(b) 10 per cent. of the value of the goods as determined in accordance with the provisions of section 14 of the Customs Act, 1962,

52 of 1962.

whichever is higher:

Provided that different dates and different rates may be specified by the Central Government for different kinds of goods.

(2) Sub-section (1) shall cease to have effect after the 15th day of May, 1969, except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act, 1897 shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

10 of 1897

(3) The regulatory duty of customs leviable under this section in respect of any goods referred to in sub-section (1) shall be in addition to any other duty of customs chargeable on such goods under the Customs Act, 1962.

52 of 1962.

52 of 1962

(4) The provisions of the Customs Act, 1962 and the rules and regulations made thereunder, including those relating to refunds and

exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the regulatory duty of customs leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of customs on such goods under that Act or those rules and regulations.

(5) Every notification issued under sub-section (1) shall, as soon as may be after it is issued, be placed before each House of Parliament.

Amendment of Act 1 of 1949.

37. In the Indian Tariff (Amendment) Act, 1949, in sections 4 and 5, for the figures "1968", the figures "1969" shall be substituted.

Amendment of Act 1 of 1944.

38. In the Central Excises and Salt Act, 1944 (hereinafter referred to as the Central Excises Act),—

(1) in section 37, after sub-section (3), the following sub-section shall be inserted, namely:—

"(4) Notwithstanding anything contained in sub-section (3), and without prejudice to the provisions of section 9, in making rules under this section, the Central Government may provide that if any manufacturer, producer or licensee of a warehouse -

(a) removes any excisable goods in contravention of the provisions of any such rule, or

(b) does not account for all such goods manufactured, produced or stored by him, or

(c) engages in the manufacture, production or storage of such goods without having applied for the licence required under section 6, or

(d) contravenes the provisions of any such rule with intent to evade payment of duty,

then—

(i) any land, building, plant, machinery, materials, conveyance, animal or any other thing used in connection with the manufacture, production, storage, removal or disposal of such goods, and

(ii) all excisable goods on such land or in such building or produced or manufactured with such plant, machinery, materials or thing,

belonging to such manufacturer, producer or licensee shall be liable to confiscation and the manufacturer, producer or licensee shall be liable to a penalty not exceeding three times the value of the excisable goods in respect of which any contravention of the nature referred to in clause (a), (b), (c)

or (*d*) has been committed, or five thousand rupees, whichever is greater.";

(*2*) in the First Schedule,—

(*a*) after Item No. 1, the following Item shall be inserted, namely:—

"1A.	CONFECTIONERY AND CHOCOLATES IN OR IN RELATION TO THE MANUFACTURE OF WHICH ANY PROCESS IS ORDINARILY CARRIED ON WITH THE AID OF POWER NAMELY:— (1) Boiled sweets, toffees, caramels, candies, nuts (including almonds) and fruit kernels coated with sweetening agent, and chewing gums. (2) Chocolates in the form of slabs, tablets, bars, pastilles or croquettes, whether or not containing nuts, fruit kernels or fruits.	Eighty paise per kilogram.":

(*b*) in Item No. 4, under "I.—*Unmanufactured tobacco*—",—

(*i*) for the entries in the third column against sub-items (*1*), (*2*), (*3*), (*4*), (*5*), (*6*) and (*8*), the entries "Three rupees and fifty paise.", "Twenty-seven rupees and fifty paise.", "Two rupees and fifty paise.", "Two rupees and eighty-five paise.", "One rupee and seventy-five paise.", "Two rupees and fifty paise." and "Twenty-five paise." shall, respectively, be substituted;

(*ii*) the *Explanation* in the second column below sub-item (5) shall be omitted;

(*c*) in Item No. 9, for the entry in the third column, the entry "One hundred and sixty-eight rupees and twenty-five paise per kilolitre at fifteen degrees of Centigrade thermometer." shall be substituted;

(*d*) in Item No. 10, for the entry in the third column, the entry "Seventy-five rupees and forty-five paise per kilolitre at fifteen degrees of Centigrade thermometer." shall be substituted;

(*e*) in Item No 22A, for the entries in the third column against sub-items (*i*) and (*ii*), the entries "Four hundred and fifty rupees per metric tonne." and "Two hundred and

fifty rupees per metric tonne." shall, respectively, be substituted;

(*f*) after Item No. 22A, the following Items shall be inserted, namely:—

"22B.	TEXTILE FABRICS IMPREGNATED OR COATED WITH PREPARATIONS OF CELLULOSE DERIVATIVES OR OF OTHER ARTIFICIAL PLASTIC MATERIALS.	Twenty-five per cent *ad valorem.*
22C.	EMBROIDERY, IN THE PIECE, IN STRIPS OR IN MOTIFS, IN OR IN RELATION TO THE MANUFACTURE OF WHICH ANY PROCESS IS ORDINARILY CARRIED ON WITH THE AID OF POWER.	Twenty per cent. *ad valorem*";

(*g*) in Item No. 29A, for the entries in the third column against sub-items (*1*), (*2*) and (*3*), the entries "Thirty per cent. *ad valorem.*", "Thirty per cent. *ad valorem.*" and "Forty per cent. *ad valorem.*" shall, respectively, be substituted;

(*h*) after Item No. 33A, the following Item shall be inserted, namely:—

"33AA.	PARTS OF WIRELESS RECEIVING SETS (INCLUDING PARTS OF TRANSISTOR SETS AND RADIOGRAMS), NAMELY, ELECTRONIC VALVES AND TUBES, TRANSISTORS AND SEMICONDUCTOR DIODES.	Five rupees each.";

(*i*) in Item No. 37A, in the entry in the second column, for the words "AND PARTS AND ACCESSORIES THEREOF", the words "AND PARTS AND ACCESSORIES THEREOF NOT ELSEWHERE SPECIFIED" shall be substituted;

(*j*) after Item No. 39, the following Items shall be inserted, namely:—

"40.	STEEL FURNITURE MADE PARTLY OR WHOLLY OF STEEL IN OR IN RELATION TO THE MANUFACTURE OF WHICH ANY PROCESS IS ORDINARILY CARRIED ON WITH THE AID OF POWER, WHETHER IN ASSEMBLED OR UNASSEMBLED CONDITION.	Twenty per cent. *ad valorem*

41.	CROWN CORKS WITH OR WITHOUT WASHERS OR OTHER FITTINGS OF CORK, RUBBER, POLYETHYLENE OR ANY OTHER MATERIAL.	One paisa each".

Special duties of excise on certain goods.

39. (*1*) When goods of the description mentioned in this section chargeable with a duty of excise under the Central Excises Act (as amended by this Act or any subsequent Central Act) read with any notification for the time being in force issued by the Central Government in relation to the duty so chargeable, are assessed to duty, there shall be levied and collected—

(*a*) as respects goods comprised in Items Nos. 6, 8, 9, 14D, 22A, 23A except sub-item (*1*) thereof, 23B, 28, 29, sub-items (*2*) and (*3*) of Item No. 31 and Item No. 32 of the First Schedule to the Central Excises Act, a special duty of excise equal to 10 per cent. of the total amount so chargeable on such goods;

(*b*) as respects goods comprised in Items Nos. 2, 3(*1*), sub-items I, II(*2*) and II(*3*) of Item No. 4, Items Nos. 13, 14, 14F, 15, 15A, 15B, 16, 16A, 17, 18A(*2*), 21, 22, 23, 23A(*1*), 27, 30, 31(*1*), 33, sub-items (*1*), (*3a*) and (*4*) of Item No. 34 and Item No. 37 of that Schedule, a special duty of excise equal to 20 per cent. of the total amount so chargeable on such goods; and

(*c*) as respects goods comprised in Items Nos. 4 II(*1*), 18, 18A(*1*), 18B, 20, 29A, 33A, sub-items (2) and (3) of Item No. 34 and radiograms comprised in Item No. 37A of that Schedule, a special duty of excise equal to 33⅓ per cent. of the total amount so chargeable on such goods.

(*2*) Sub-section (*1*) shall cease to have effect after the 31st day of March, 1969, except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act, 1897 shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

10 of 1897

(3) The duties of excise referred to in sub-section (*1*) in respect of the goods specified therein shall be in addition to the duties of excise chargeable on such goods under the Central Excises Act or any other law for the time being in force and such special duties shall be levied for purposes of the Union and the proceeds thereof shall not be distributed among the States.

(*4*) The provisions of the Central Excises Act and the rules made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the duties of excise leviable under this section in respect of any goods as they apply in relation to the levy and collection of duties of excise on such goods under that Act or those rules.

Regulatory duties of excise.

40. (*1*) With a view to regulating or bringing greater economy in consumption, there shall be levied and collected, with effect from such date, and at such rate as may be specified in this behalf by the Central Government by notification in the Official Gazette, on all or any of the goods mentioned in the First Schedule to the Central Excises Act as amended by this Act or any subsequent Central Act, a regulatory duty of excise which shall not exceed 15 per cent. of the value of the goods as determined in accordance with the provisions of section 4 of the Central Excises Act:

Provided that different dates and different rates may be specified by the Central Government for different kinds of goods.

(*2*) Sub-section (*1*) shall cease to have effect after the 15th day of May, 1969, except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act, 1897 10 of 1897. shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

(*3*) The duties of excise referred to in sub-section (*1*) in respect of the goods specified therein shall be in addition to the duties of excise chargeable on such goods under the Central Excises Act or any other law for the time being in force and such regulatory duties shall be levied for purposes of the Union and the proceeds thereof shall not be distributed among the States.

(*4*) The provisions of the Central Excises Act and the rules made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the regulatory duties of excise leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of excise on such goods under that Act or those rules.

(*5*) Every notification issued under sub-section (*1*) shall, as soon as may be after it is issued, be placed before each House of Parliament.

Amendment of Act 27 of 1958.

41. In section 3 of the Mineral Products (Additional Duties of Excise and Customs) Act, 1958, in sub-section (*1*), in the Table,—

(*a*) for item 1 and the entries relating to it, the following shall be substituted, namely:—

"1.	Motor Spirit . . .	Two hundred rupees per kilolitre at fifteen degrees of Centigrade thermometer." ;

(b) for items 3, 4 and 5 and the entries relating thereto, the following shall be sustituted, namely :-

"3.	Refined diesel oils and vaporizing oil.	Four hundred rupees per kilolitre at fifteen degrees of Centigrade thermometer.

4. Diesel oil, not otherwise specified.		One hundred and twenty-nine rupees and forty-five paise per kilolitre at fifteen degrees of Centigrade thermometer.
5. Furnace oil	. . .	Fifty-six rupees and sixty paise per kilolitre at fifteen degrees of Centigrade thermometer." ;

(c) for item 7 and the entries relating to it, the following shall be substituted, namely:—

"7. All products as described in item No. 11A of the First Schedule to the Central Excises and Salt Act, 1944.	Five hundred rupees per metric tonne."

1 of 1944.

Discontinuance of salt duty.

42. For the year beginning on the 1st day of April, 1968, no duty under the Central Excises Act, or the Tariff Act shall be levied in respect of salt manufactured in, or imported into, India.

CHAPTER VI

CENTRAL SALES TAX ACT

Amendment of Act 74 of 1956.

43. In the Central Sales Tax Act, 1956, in section 14, item (*xi*) shall be omitted.

CHAPTER VII

MISCELLANEOUS

Amendment of Act 6 of 1898.

44. For the First Schedule to the Indian Post Office Act, 1898, the following Schedule shall be substituted, namely:—

"THE FIRST SCHEDULE

(*See* section 7)

INLAND POSTAGE RATES

Letters

For a weight not exceeding fifteen grams	20 paise
For every fifteen grams, or fraction thereof, exceeding fifteen grams	15 paise

Letter-cards

For a letter-card	15 paise

Post cards

Single	10 paise
Reply	20 paise

Book, Pattern and Sample packets

For the first fifty grams or fraction thereof	15 paise
For every additional twenty-five grams, or fraction thereof, in excess of fifty grams	10 paise

Registered Newspapers

For a weight not exceeding one hundred grams	5 paise
For a weight exceeding one hundred grams and not exceeding two hundred and fifty grams	10 paise
For every two hundred and fifty grams, or fraction thereof, exceeding two hundred and fifty grams	5 paise

In the case of more than one copy of the same issue of a registered newspaper being carried in the same packet—

For a weight not exceeding one hundred grams	5 paise
for every additional one hundred and fifty grams, or fraction thereof, in excess of one hundred grams:	5 paise

Provided that such packet shall not be delivered at any addressee's residence but shall be given to a recognised agent at the Post Office.

Parcels

For a weight not exceeding four hundred grams	80 paise
For every four hundred grams, or fraction thereof, exceeding four hundred grams	80 paise.".

Declaration under the Provisional Collection of Taxes Act, 1931

It is hereby declared that it is expedient in the public interest that the provisions of clauses 34, 35, 37, 38(2), 39 and 41 of this Bill shall have immediate effect under the Provisional Collection of Taxes Act, 1931. 16 of 1631

THE FIRST SCHEDULE

(*See* section 2)

PART I

INCOME-TAX AND SURCHARGES ON INCOME-TAX

Paragraph A

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals,

whether incorporated or not, or every artificial juridical person referred to in sub-clause (*vii*) of clause (31) of section 2 of the Income-tax Act, not being a case to which any other Paragraph of this Part applies,—

Rates of income-tax

(1) where the total income does not exceed Rs. 5,000	5 per cent. of the total income;
(2) where the total income exceeds Rs. 5,000 but does not exceed Rs. 10,000	Rs. 250 *plus* 10 per cent. of the amount by which the total income exceeds Rs. 5,000 ;
(3) where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000	Rs. 750 *plus* 15 per cent. of the amount by which the total income exceeds Rs. 10,000
(4) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	Rs. 1,500 *plus* 20 per cent. of the amount by which the total income exceeds Rs. 15,000 ;
(5) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000	Rs. 2,500 *plus* 30 per cent. of the amount by which the total income exceeds Rs. 20,000 ;
(6) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000	Rs. 4,000 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 25,000 ;
(7) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000	Rs. 6,000 *plus* 50 per cent. of the amount by which the total income exceeds Rs. 30,000 ;
(8) where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000	Rs. 16,000 *plus* 60 per cent. of the amount by which the total income exceeds Rs. 50,000 ;
(9) where the total income exceeds Rs. 70,000	Rs. 28,000 *plus* 65 per cent. of the amount by which the total income exceeds Rs. 70,000 :

Provided that for the purposes of this Paragraph, in the case of a person, not being a non-resident—

(i) no income-tax shall be payable on a total income not exceeding the following limit, namely:—

(*a*) Rs. 7,000 in the case of every Hindu undivided family which as at the end of the previous year satisfies either of the following two conditions, namely:—

(*1*) that it has at least two members entitled to claim partition who are not less than eighteen years of age; or

(2) that it has at least two members entitled to claim partition who are not lineally descended one from the other and who are not lineally descended from any other living member of the family;

(b) Rs. 4,000 in every other case;

(*ii*) where such person is an individual whose total income does not exceed Rs. 10,000 and who has, during the previous year, incurred any expenditure for the maintenance of any one or more of his parents or grand-parents mainly dependent on him, the income-tax computed at the rate hereinbefore specified shall be reduced by so much of the amount specified hereunder, as does not exceed the amount of income-tax so computed:—

(*a*) Rs. 145	in the case of an unmarried individual ;
(*b*) Rs. 220	in the case of a married individual who has no child mainly dependent on him ;
(*c*) Rs. 240	in the case of a married individual who has one child mainly dependent on him ;
(*d*) Rs. 260	in the case of a married individual who has more than one child mainly dependent on him ;

(*iii*) where such person is an individual not falling under clause (*ii*) or a Hindu undivided family, the income-tax computed at the rate hereinbefore specified shall be reduced by so much of the amount specified hereunder, as does not exceed the amount of income-tax so computed:—

(*a*) Rs. 125	in the case of an unmarried individual ;
(*b*) Rs. 200	in the case of a married individual who has no child mainly dependent on him or a Hindu undivided family which has no minor coparcener ;
(*c*) Rs 220	in the case of a married individual who has one child mainly dependent on him or a Hindu undivided family which has one minor coparcener mainly supported from the income of such family ;

(*d*) Rs. 240 . . . . in the case of a married individual who has more than one child mainly dependent on him or a Hindu undivided family which has more than one minor coparcener mainly supported from the income of such family ;

(*iv*) (*A*) where such person is an individual whose total income exceeds Rs. 10,000 but does not exceed Rs. 20,000, and who has, during the previous year, incurred any expenditure for the maintenance of any one or more of his parents or grand-parents mainly dependent on him, the income-tax payable by him in respect of such total income shall not exceed the aggregate of—

(*1*) the income-tax which would have been payable by the individual if his total income had been Rs. 10,000, and

(*2*) 40 per cent. of the amount by which the total income of the individual exceeds Rs. 10,000;

(*B*) where such person is not an individual whose case falls under sub-clause (*A*) and the total income of such person does not exceed Rs. 20,000, the income-tax payable thereon shall not exceed 40 per cent. of the amount by which the total income exceeds the limit specified in sub-clause (*a*) or, as the case may be, sub-clause (*b*) of clause (*i*) of this proviso.

Explanation.—For the purposes of clause (*ii*) and sub-clause (*A*) of clause (*iv*) of this proviso, a parent or grand-parent of an individual shall not be treated as being mainly dependent on such individual if the income of the parent or, as the case may be, the grand-parent from all sources in respect of the previous year relevant to the assessment year exceeds one thousand rupees.

Surcharges on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by the aggregate of surcharges for purposes of the Union calculated as specified hereunder:—

(*a*) where—

(*i*) in the case of an individual or a Hindu undivided family, the amount of unearned income, not being income by way of interest on any security of the Central or State Government or income received in respect of units from the

Unit Trust of India, established under the Unit Trust of India Act, 1963, included in the total income, or 52 of 1962.

(*ii*) in any other case, the amount of unearned income included in the total income,

exceeds Rs. 30,000,

a surcharge calculated on the difference between the amount of income-tax computed in respect of the income referred to in sub-clause (*i*) or, as the case may be, sub-clause (*ii*), if such income had been the total income and the amount of income-tax computed in respect of an income of Rs. 30,000 if it had been the total income, at the following rate, namely:—

(1) where the amount of the difference does not exceed Rs. 10,000	20 per cent. of the amount of such difference ;
(2) where the amount of the difference exceeds Rs. 10,000	Rs. 2,000 *plus* 25 per cent. of the amount by which the difference aforesaid exceeds Rs. 10,000;

(*b*) where—

(*i*) in the case of an individual or a Hindu undivided family, the earned income and income by way of interest on any security of the Central or State Government and income received in respect of units from the Unit Trust of India, established under the Unit Trust of India Act, 1963, included in the total income, or 52 of 1963.

(*ii*) in any other case, the earned income included in the total income,

exceeds Rs. 1 lakh,

a surcharge calculated on the amount of the difference between the income-tax computed in respect of the income referred to in sub-clause (*i*) or, as the case may be, sub-clause (*ii*), if such income had been the total income and the income-tax computed respect of a total income of Rs. 1 lakh, at the following rate, namely:—

(1) where the amount of the difference does not exceed Rs. 65,000	5 per cent. of the amount of such difference ;
(2) where the amount of the difference exceeds Rs. 65,000 but does not exceed Rs. 1,30,000	Rs. 3,250 *plus* 10 per cent. of the amount by which the difference aforesaid exceeds Rs. 65,000;
(3) where the amount of the difference exceeds Rs. 1,30,000	Rs. 9,750 *plus* 15 per cent. of the amount by which the difference aforesaid exceeds Rs. 1,30,000 ; and

(c) a special surcharge calculated at the rate of ten per cent on the aggregate of the following amounts, namely:—

(i) the amount of income-tax computed in accordance with the preceding provisions of this Paragraph; and

(ii) the aggregate of the amounts of the surcharges calculated in accordance with clause (a) and clause (b) of this sub-paragraph.

Paragraph B

In the case of every co-operative society,—

Rates of income-tax

(1) where the total income does not exceed Rs. 5,000	5 per cent. of the total income;
(2) where the total income exceeds Rs. 5,000 but does not exceed Rs. 10,000	Rs. 250 *plus* 10 per cent. of the amount by which the total income exceeds Rs. 5,000;
(3) where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000	Rs. 750 *plus* 15 per cent. of the amount by which the total income exceeds Rs. 10,000;
(4) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	Rs. 1,500 *plus* 20 per cent. of the amount by which the total income exceeds Rs. 15,000;
(5) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000	Rs. 2,500 *plus* 25 per cent. of the amount by which the total income exceeds Rs. 20,000;
(6) where the total income exceeds Rs. 25,000	Rs. 3,750 *plus* 41 per cent. of the amount by which the total income exceeds Rs. 25,000;

Provided that—

(i) no income-tax shall be payable on a total income not exceeding Rs. 4,000; and

(ii) where the total income is twenty thousand rupees or less, the income-tax payable shall not exceed forty per cent. of the amount by which the total income exceeds Rs. 4,000

Surcharges on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by the aggregate of surcharges for purposes of the Union calculated as specified hereunder:—

(*a*) where the total income exceeds Rs. 25,000, a surcharge calculated at the rate of 6¼ per cent. of the amount of the difference between the income-tax computed at the rate hereinbefore specified and the income-tax computed in respect of a total income of Rs. 25,000; and

(*b*) a special surcharge calculated at the rate of ten per cent. on the aggregate of the following amounts, namely:—

(*i*) the amount of income-tax computed at the rate hereinbefore specified; and

(*ii*) the amount of the surcharge calculated in accordance with clause (*a*) of this sub-paragraph.

Paragraph C

In the case of every registered firm,—

Rates of income-tax

(1) where the total income does not exceed Rs. 25,000	*Nil* ;
(2) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	6 per cent. of the amount by which the total income exceeds Rs. 25,000 ;
(3) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	Rs. 1,500 *plus* 8 per cent. of the amount by which the total income exceeds Rs. 50,000 ;
(4) where the total income exceeds Rs. 1,00,000	Rs. 5,500 *plus* 12 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharges on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by the aggregate of surcharges for purposes of the Union calculated as specified hereunder:—

(*a*) in the case of a registered firm whose total income includes income derived from a profession carried on by it and the

income so included is not less than fifty-one per cent. of such total income, a surcharge calculated at the rate of ten per cent. of the amount of income-tax computed at the rate hereinbefore specified;

(*b*) in the case of any other registered firm, a surcharge calculated at the rate of twenty per cent. of the amount of income-tax computed at the rate hereinbefore specified; and

(*c*) a special surcharge calculated at the rate of ten per cent. on the aggregate of the following amounts, namely:—

(*i*) the amount of income-tax computed at the rate hereinbefore specified; and

(*ii*) the amount of the surcharge calculated in accordance with clause (*a*), or, as the case may be, clause (*b*), of this sub-paragraph.

Paragraph D

In the case of every local authority,—

Rate of income-tax

On the whole of the total income 45 per cent.

Surcharges on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by the aggregate of surcharges for purposes of the Union calculated as specified hereunder:—

(*a*) a surcharge calculated at the rate of ten per cent. of the amount of income-tax computed at the rate hereinbefore specified; and

(*b*) a special surchage calculated at the rate of ten per cent. on the aggregate of the following amounts, namely:—

(*i*) the amount of income-tax computed at the rate hereinbefore specified; and

(*ii*) the amount of the surcharge calculated in accordance with clause (*a*) of this sub-paragraph.

Paragraph E

In the case of the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956,— 31 of 1956

Rates of Income-tax

(*i*) on that part of its total income which consists of profits and gains from life insurance business	52·5 per cent;

(*ii*) on the balance, if any, of the total income	the rate of income-tax applicable, in accordance with Paragraph F of this Part, to the total income of a domestic company which is a company in which the public are substantially interested.

Paragraph F

In the case of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956,— 31 of 1956.

Rates of income-tax

I. In case of a domestic company—

(A)(1) where the company is a company in which the public are substantially interested,—	
(*i*) in a case where the total income does not exceed Rs. 50,000	45 per cent. of the total income;
(*ii*) in a case where the total income exceeds Rs. 50,000	55 per cent. of the total income;
(2) where the company is not a company in which the public are substantially interested,—	
(*i*) in the case of an industrial company—	
(1) on so much of the total income as does not exceed Rs. 10,00,000	55 per cent.;
(2) on the balance, if any, of the total income	60 per cent.;
(*ii*) in any other case	65 per cent. of the total income; and
(B) in addition, where the company is—	
(*i*) a company in which the public are substantially interested, or	

(*ii*) a company as is referred to in clause (*iii*) of sub-section (*2*) or clause (*a*) or clause (*b*) of sub-section (*4*) of section 104 of the Income-tax Act, or

(*iii*) such a company as is exempt from the operation of section 104 of the said Act by a notification issued under the provisions of sub-section (*3*) of that section,

on so much of the total income as does not exceed the relevant amount of distributions of dividends by the company — 7·5 per cent :

Provided that the income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds Rs. 50,000 shall not exceed the aggregate of—

(*a*) the income-tax which would have been payable by the company if its total income had been Rs. 50,000 (the income of Rs. 50,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(*b*) 80 per cent. of the amount by which its total income exceeds Rs. 50,000.

Explanation 1.—In clause (B), the expression "the relevant amount of distributions of dividends" means the aggregate of the following amounts, namely:—

(*a*) the amount, if any, by which the "relevant amount of distributions of dividends" by the company as computed in accordance with *Explanation* 1 to item I of Paragraph F of Part I of the First Schedule to the Finance (No. 2) Act, 1967 exceeds its total income (reduced by the amount of capital gains, if any, relating to capital assets other than short-term capital assets included therein) assessable for the assessment year commencing on the 1st day of April, 1967; and

20 of 1967.

(*b*) so much of the amount of the dividends, other than dividends on preference shares, declared or distributed by the company during the previous year as exceeds ten per cent. of its paid-up equity share capital as on the 1st day of the previous year.

Explanation 2.—For the purposes of clause (B), where a part of the income of a company is not included in its total income because it is agricultural income, the amount declared or distributed as dividends (other than dividends on preference shares) shall be deemed to be such proportion thereof as the sum specified in clause (*a*) bears to the sum specified in clause (*b*), such sums being—

(*a*) the average amount of the total income of the company of the five previous years in which it has been in receipt of taxable income immediately preceding the relevant previous year; and

(*b*) the average amount of the total profits and gains (excluding capital receipts) of the company of the five previous years referred to in clause (*a*) reduced by such allowances as may be admissible under the Income-tax Act but which have not been taken into account by the company in its profit and loss accounts for the said five previous years.

Explanation 3.—For the removal of doubts, it is hereby declared that where any dividends were declared by the company before the commencement of the previous year and are distributed by it during that year, the amount of such dividends shall not be included in the amount of dividends referred to in clause (*b*) of *Explanation* 1.

II. In the case of a company other than a domestic company:—

(*i*) on so much of the total income as consists of—	
(*a*) royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961, or	
(*b*) fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964,	
and where such agreement has, in either case, been approved by the Central Government	50 per cent. ;
(*ii*) on the balance, if any, of the total income	70 per cent.

PART II

Rates for deduction of tax at source in certain cases

In every case in which under the provisions of sections 193, 194, 194A and 195 of the Income-tax Act, tax is to be deducted at the rates

in force, deduction shall be made from the income subject to deduction, at the following rates:—

	Income-tax	
	Rate of income-tax	Rate of surcharge
1. In the case of a person other than a company—		
(*a*) where the person is resident—		
(*i*) on income by way of interest other than "Interest on securities" .	10 per cent.	*Nil*
(*ii*) on any other income (excluding interest payable on a tax free security) .	20 per cent.	2 per cent.
(*b*) where the person is not resident in India—		
(*i*) on the whole income (excluding interest payable on a tax free security)	Income-tax at 30 per cent. and surcharge at 3 per cent. of the amount of the income *or* income-tax and surcharge on income-tax in respect of the income at the rates prescribed in Paragraph A of Part III of this Schedule, if such income had been the total income, whichever is higher ;	
(*ii*) on the income by way of interest payable on a tax free security . . .	15 per cent.	1·5 per cent.
2. In the case of a company—		
(*a*) where the company is a domestic company—		
(*i*) on income by way of interest other than "Interest on securities" . . .	20 per cent.	*Nil*

	Income-tax	
	Rate of income-tax	Rate of surcharge
(*ii*) on any other income (excluding interest payable on a tax free security) ·	22 per cent.	*Nil*
(*b*) where the company is not a domestic company—		
(*i*) on the income by way of dividends payable by an Indian company as is referred to in clause (*a*)(*i*) of sub-section (*1*) of section 80M of the Income-tax Act · · · · ·	14 per cent.	*Nil*
(*ii*) on the income by way of dividends payable by any domestic company other than a company referred to in (*i*) hereinabove ·	24·5 per cent.	*Nil*
(*iii*) on the income by way of royalties payable by an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961, and which has been approved by the Central Government ·	50 per cent.	*Nil*
(*iv*) on the income by way of fees payable by an Indian concern for rendering technical services in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964, and which has been approved by the Central Government · ·	50 per cent.	*Nil*
(*v*) on the income by way of interest payable on a tax free security · · ·	44 per cent.	*Nil*
(*vi*) on any other income ·	70 per cent.	*Nil*

PART III

Rates for calculating or charging income-tax in certain cases, deducting income-tax from income chargeable under the head "Salaries" or any payment referred to in sub-section (9) of section 80E and computing "advance tax".

In cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or deducted under sub-section (9) of section 80E of the said Act from any payment referred to in the said sub-section (9) or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax, or, as the case may be, "advance tax" shall be so calculated, charged, deducted or computed at the following rate or rates:—

Paragraph A

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (*vii*) of clause (*31*) of section 2 of the Income-tax Act, not being a case to which any other Paragraph of this Part applies,—

Rates of Income-tax

(1)	where the total income does not exceed Rs. 5,000	5 per cent. of the total income;
(2)	where the total income exceeds Rs. 5,000 but does not exceed Rs. 10,000	Rs. 250 *plus* 10 per cent. of the amount by which the total income exceeds Rs. 5,000;
(3)	where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000	Rs. 750 *plus* 15 per cent. of the amount by which the total income exceeds Rs. 10,000;
(4)	where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	Rs. 1,500 *plus* 20 per cent. of the amount by which the total income exceeds Rs. 15,000;
(5)	where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000	Rs. 2,500 *plus* 30 per cent. of the amount by which the total income exceeds Rs. 20,000;

(6)	where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000	Rs. 4,000 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 25,000;
(7)	where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000	Rs. 6,000 *plus* 50 per cent. of the amount by which the total income exceeds Rs. 30,000;
(8)	where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000	Rs. 16,000 *plus* 60 per cent. of the amount by which the total income exceeds Rs. 50,000;
(9)	where the total income exceeds Rs. 70,000 but does not exceed Rs. 1,00,000	Rs. 28,000 *plus* 65 per cent. of the amount by which the total income exceeds Rs. 70,000 ;
(10)	where the total income exceeds Rs. 1,00,000 but does not exceed Rs. 2,50,000	Rs. 47,500 *plus* 70 per cent. of the amount by which the total income exceeds Rs. 1,00,000;
(11)	where the total income exceeds Rs. 2,50,000	Rs. 1,52,500 *plus* 75 per cent. of the amount by which the total income exceeds Rs. 2,50,000 :

Provided that for the purposes of this Paragraph, in the case of a person, not being a non-resident—

(*i*) no income-tax shall be payable on a total income not exceeding the following limit, namely:—

(*a*) Rs. 7,000 in the case of every Hindu undivided family which at any time during the previous year relevant to the assessment year commencing on the 1st day of April, 1969 satisfies either of the following two conditions, namely:—

(*1*) that it has at least two members entitled to claim partition who are not less than eighteen years of age; or

(*2*) that it has at least two members entitled to claim partition who are not lineally descended one from the other and who are not lineally descended from any other living member of the family;

(*b*) Rs. 4,000 in every other case;

(*ii*) where such person is an individual whose total income does not exceed Rs. 10,000 and who has, during the previous year relevant to the assessment year commencing on the 1st day of April, 1969, incurred any expenditure for the maintenance of any one or more of his parents or grandparents mainly dependent on him, the income-tax computed

at the rate hereinbefore specified shall be reduced by so much of the amount specified hereunder, as does not exceed the amount of income-tax so computed:—

(*a*) Rs. 145 . . . in the case of an unmarried individual ;

(*b*) Rs. 220 . . . in the case of a married individual who has no child mainly dependent on him ;

(*c*) Rs. 240 . . . in the case of a married individual who has one child mainly dependent on him ;

(*d*) Rs. 260 . . . in the case of a married individual who has more than one child mainly dependent on him,

so, however, that in the case of a married individual whose spouse has a total income exceeding Rs. 4,000 in respect of the previous year relevant to the assessment year commencing on the 1st day of April, 1969, this clause shall have effect as if for the amounts of Rs. 220, Rs. 240 and Rs. 260, the amounts of Rs. 145, Rs. 165, and Rs. 185 had, respectively, been substituted;

(*iii*) where such person is an individual not falling under clause (*ii*) or a Hindu undivided family, the income-tax computed at the rate hereinbefore specified shall be reduced by so much of the amount specified hereunder, as does not exceed the amount of income-tax so computed:—

(*a*) Rs. 125 . . . in the case of an unmarried individual ;

(*b*) Rs. 200 . . . in the case of a married individual who has no child mainly dependent on him or a Hindu undivided family which has no minor coparcener ;

(*c*) Rs. 220 . . . in the case of a married individual who has one child mainly dependent on him or a Hindu undivided family which has one minor coparcener mainly supported from the income of such family ;

(*d*) Rs. 240 . . .	in the case of a married individual who has more than one child mainly dependent on him or a Hindu undivided family which has more than one minor coparcener mainly supported from the income of such family,

so, however, that in the case of a married individual whose spouse has a total income exceeding Rs. 4,000 in respect of the previous year relevant to the assessment year commencing on the 1st day of April, 1969, this clause shall have effect as if for the amounts of Rs. 200, Rs. 220 and Rs. 240, the amounts of Rs. 125, Rs. 145 and Rs. 165 had, respectively, been substituted;

(*iv*) (*A*) where such person is an individual whose total income exceeds Rs. 10,000 but does not exceed Rs 20,000 and who has, during the previous year relevant to the assessment year commencing on the 1st day of April, 1969, incurred any expenditure for the maintenance of any one or more of his parents or grand-parents mainly dependent on him, the income-tax payable by him in respect of such total income shall not exceed the aggregate of—

(*1*) the income-tax which would have been payable by the individual if his total income had been Rs. 10 000, and

(*2*) 40 per cent. of the amount by which the total income of the individual exceeds Rs. 10,000;

(*B*) where such person is not an individual whose case falls under sub-clause (*A*) and the total income of such person does not exceed Rs 20,000, the income-tax payable thereon shall not exceed 40 per cent of the amount by which the total income exceeds the limit specified in sub-clause (*a*) or, as the case may be, sub-clause (*b*) of clause (*i*) of this proviso.

Explanation.—For the purposes of clause (*ii*) and sub-clause (*A*) of clause (*iv*) of this proviso, a parent or grand-parent of an individual shall not be treated as being mainly dependent on such individual if the income of the parent or, as the case may be, the grand-parent from all sources in respect of the previous year relevant to the assessment year commencing on the 1st day of April, 1969 exceeds one thousand rupees.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Part-paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Part-paragraph B

In the case of every co-operative society,—

Rates of income-tax

(1) where the total income does not exceed Rs. 5,000	5 per cent. of the total income ;
(2) where the total income exceeds Rs. 5,000 but does not exceed Rs. 10,000	Rs. 250 *plus* 10 per cent. of the amount by which the total income exceeds Rs. 5,000;
(3) where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000	Rs. 750 *plus* 15 per cent. of the amount by which the total income exceeds Rs. 10,000 ;
(4) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	Rs. 1,500 *plus* 20 per cent. of the amount by which the total income exceeds Rs. 15,000 ;
(5) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000	Rs. 2,500 *plus* 25 per cent. of the amount by which the total income exceeds Rs. 20,000 ;
(6) where the total income exceeds Rs. 25,000	Rs. 3,750 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 25,000 :

Provided that—

(*i*) no income-tax shall be payable on a total income not exceeding Rs. 4,000; and

(*ii*) where the total income is Rs. 20,000 or less, the income-tax payable shall not exceed 40 per cent. of the amount by which the total income exceeds Rs. 4,000.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Paragraph C

In the case of every registered firm,—

Rates of income-tax

(1) where the total income does not exceed Rs. 25,000	*Nil*;
(2) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	6 per cent. of the amount by which the total income exceeds Rs. 25,000;
(3) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	Rs. 1,500 *plus* 12 per cent. of the amount by which the total income exceeds Rs. 50,000;
(4) where the total income exceeds Rs. 1,00,000	Rs. 7,500 *plus* 20 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharges on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by the aggregate of surcharges for purposes of the Union calculated as specified hereunder:—

(*a*) in the case of a registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income, a surcharge calculated at the rate of ten per cent. of the amount of income-tax computed at the rate hereinbefore specified;

(*b*) in the case of any other registered firm, a surcharge calculated at the rate of twenty per cent. of the amount of income-tax computed at the rate hereinbefore specified; and

(*c*) a special surcharge calculated at the rate of ten per cent. on the aggregate of the following amounts, namely:—

(*i*) the amount of income-tax computed at the rate hereinbefore specified; and

(*ii*) the amount of the surcharge calculated in accordance with clause (*a*), or, as the case may be, clause (*b*), of this sub-paragraph.

Paragraph D

In the case of every local authority,—

Rate of income-tax

On the whole of the total income 50 per cent.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Paragraph E

In the case of the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956,— 31 of 1956.

Rates of income-tax

(*i*) on that part of its total income which consists of profits and gains from life insurance business	52·5 per cent. ;
(*ii*) on the balance, if any, of the total income	the rate of income-tax applicable, in accordance with Paragraph F of this Part, to the total income of a domestic company which is a company in which the public are substantially interested.

Paragraph F

In the case of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956,— 31 of 1956.

Rates of income-tax

I. In the case of a domestic company—

(1) where the company is a company in which the public are substantially interested,—	
(*i*) in a case where the total income does not exceed Rs. 50,000	45 per cent. of the total income;

(*ii*) in a case where the total income exceeds Rs. 50,000	55 per cent. of the total income ;
(2) where the company is not a company in which the public are substantially interested,—	
(*i*) in the case of an industrial company—	
(*a*) on so much of the total income as does not exceed Rs. 10,00,000	55 per cent. ;
(*b*) on the balance, if any, of the total income	60 per cent. ;
(*ii*) in any other case	65 per cent. of the total income :

Provided that the income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds Rs. 50,000, shall not exceed the aggregate of—

(*a*) the income-tax which would have been payable by the company if its total income had been Rs. 50,000 (the income of Rs. 50,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(*b*) 80 per cent. of the amount by which its total income exceeds Rs. 50,000.

11. In the case of a company other than a domestic company—

(*i*) on so much of the total income as consists of—	
(*a*) royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961, or	

(*b*) fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964,	
and where such agreement has, in either case, been approved by the Central Government . . .	50 per cent.
(*ii*) on the balance, if any, of the total income . .	70 per cent.

THE SECOND SCHEDULE

(*See* section 3)

RATES OF ANNUITY DEPOSIT FOR THE ASSESSMENT YEAR 1968-69

(*i*) In the case of any depositor whose total income does not exceed Rs. 15,000	*Nil.*
(*ii*) In the case of any depositor whose total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	6 per cent. of the adjusted total income :

Provided that the annuity deposit to be made shall in no case exceed half the amount by which the total income exceeds Rs. 15,000.

(*iii*) In the case of a depositor whose total income exceeds Rs. 20,000 but does not exceed Rs. 40,000	9 per cent. of the adjusted total income :

Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely :—

(*a*) an amount calculated at six per cent. on so much of the adjusted total income as does not exceed Rs. 20,000;

(*b*) one-half of the amount by which the total income exceeds Rs. 20,000.

(*iv*) In the case of a depositor whose total income exceeds Rs. 40,000 but does not exceed Rs. 70,000	12 per cent. of the adjusted total income :

Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely:—

(*a*) an amount calculated at nine per cent. on so much of the adjusted total income as does not exceed Rs. 40,000;

(*b*) one-half of the amount by which the total income exceeds Rs. 40,000

(*v*) In the case of a depositor whose total income exceeds Rs. 70,000 — 15 per cent. of the adjusted total income :

Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely :—

(*a*) an amount calculated at twelve per cent. on so much of the adjusted total income as does not exceed Rs. 70,000;

(*b*) one-half of the amount by which the total income exceeds Rs. 70,000.

Explanation.—In this Schedule, "total income" means total income computed in the manner laid down in the Income-tax Act without making any allowance under section 280O of that Act.

THE THIRD SCHEDULE

(*See* section 30)

AMENDMENTS IN THE INCOME-TAX ACT

1. *Section* 2.—In clause (*42A*), for "twelve months", at both places, substitute "twenty-four months".

2. *Section* 10.—

(*a*) in clause (*4A*), for "non-resident account", substitute "Non-resident (External) Account";

(*b*) in clause (*11*), insert at the end "or from any other provident fund set up by the Central Government and notified by it in this behalf in the Official Gazette";

(*c*) in clause (*15*), after sub-clause (*ii*), insert—

"(*ii-a*) interest on fixed deposits under any scheme framed by the Central Government and notified by it in this behalf in the Official Gazette, to the extent to which the amounts of such deposits do not exceed, in each case, the maximum amount which is permitted to be deposited therein;"

3. *Section* 16.—For clause (*iv*), substitute—

"(*iv*) where the assessee is not in receipt of a conveyance allowance, whether as such or as part of his salary, and owns a conveyance which is used for the purposes of his employment, a sum representing the expenditure incurred by him in its maintenance and as representing its normal wear and tear, calculated in respect of each calendar month or part thereof for which the conveyance has been so used during the previous year, on the basis provided hereunder:—

(1) where the conveyance is a motor car and the amount of the salary due to the assessee in respect of the previous year—	
(*a*) does not exceed Rs 15,000	Rs. 150 ;
(*b*) exceeds Rs. 15,000 but does not exceed Rs. 25,000	Rs. 200 ;
(*c*) exceeds Rs. 25,000	Rs. 250 ;
(2) where the conveyance is a motor cycle, scooter or other moped	Rs. 50 ;
(3) where the conveyance is a bicycle	Rs. 5 ;
(4) where it is a conveyance other than a conveyance referred to in sub-clauses (1) to (3)	such amount as the Income-tax Officer may deem fit;".

4. *Section* 23.—In sub-section (*1*), for the first proviso and the *Explanation*, substitute—

"Provided that where the property is in the occupation of a tenant, the taxes levied by any local authority in respect of the property shall, to the extent such taxes are borne by the owner, be deducted in determining the annual value of the property:".

5. *Section* 24.—In sub-section (*1*),—

(*a*) omit clause (*iii*);

(*b*) in clause (*iv*), for "not being a capital charge", substitute "(not being a charge created by the assessee voluntarily or a capital charge)";

(*c*) in clause (*vii*), after " land revenue", insert "or any other tax levied by the State Government".

6 *Section* 40.—

(*a*) in clause (*a*), after sub-clause (*iv*), insert—

'(*v*) any expenditure which results directly or indirectly in the provision of any benefit or amenity or perquisite, whether convertible into money or not, to an employee (including any sum paid by the assessee in respect of any obligation which but for such payment would have been payable by such employee) or any expenditure or allowance in respect of any assets of the assessee used by such employee either wholly or partly for his own purposes or benefit, to the extent such expenditure or allowance exceeds one-fifth of the amount of salary payable to the employee, or an amount calculated at the rate of one thousand rupees for each month or part thereof comprised in the period of his employment during the previous year, whichever is less:

Provided that in computing the aforesaid expenditure or allowance, the following shall not be taken into account, namely:—

(*a*) any payment by way of gratuity;

(*b*) the value of any travel concession or assistance referred to in clause (5) of section 10;

(*c*) passage moneys or the value of any free or concessional passage referred to in sub-clause (*i*) of clause (*6*) of section 10;

(*d*) any payment of tax referred to in sub-clause (*vii*) of clause (*6*) of section 10;

(*e*) any sum referred to in sub-clause (*vii*) of clause (*1*) of section 17;

(*f*) any sum referred to in sub-clause (*v*) of clause (*2*) of section 17;

(*g*) the amount of any compensation referred to in sub-clause (*i*) or any payment referred to in sub-clause (*ii*) of clause (*3*) of section 17;

(*h*) any payment referred to in clause (*iv*) or clause (*v*) of sub-section (*1*) of section 36; and

(*i*) any expenditure referred to in clause (*ix*) of sub-section (*1*) of section 36:

Provided further that nothing in this sub-clause shall apply to any expenditure which results directly or indirectly in the provision of any benefit or amenity or perquisite to an employee whose income chargeable under the head "Salaries" is seven thousand five hundred rupees or less.

Explanation 1.—The provisions of this sub-clause shall apply notwithstanding that any amount not to be allowed under this sub-clause is included in the total income of the employee.

Explanation 2.—In this sub-clause, the word "salary" shall have the meaning assigned to it in clause (*h*) of rule 2 of Part A of the Fourth Schedule.';

(*b*) in clause (*c*),—

(*i*) omit sub-clause (*iii*);

(*ii*) in *Explanation* 1, omit "1" and "or in sub-clause (*iii*)";

(*iii*) omit *Explanation* 2.

7. *Section 43.*—In clause (*4*), for sub-clause (*i*), substitute—

'(*i*) "scientific research" means any activities for the extension of knowledge in the fields of natural or applied science including agriculture, animal husbandry or fisheries;'.

8. *Section 58.*—In sub-section (*1*),—

(*a*) in clause (*a*), after sub-clause (*iii*), insert—

"(*iv*) any expenditure or allowance of the nature referred to in sub-clause (*v*) of clause (*a*) of section 40, notwithstanding that the amount thereof is included in the total income of any employee referred to therein;";

(*b*) in clause (*b*), omit "or in sub-clause (*iii*)".

9. *Section 67.*—In sub-section (*1*), in clause (*a*), after "in respect of the previous year", insert ", and, where the firm is a registered firm, the income-tax, if any, payable by it in respect of the total income of the previous year,".

10. *Section 80A.*—In sub-section (*1*), for "80T", substitute "80U".

11. *Section 80B.*—

(*a*) omit clause (*3*);

(*b*) in clause (7), for "the Fifth Schedule", substitute "the Sixth Schedule".

12. *Section 80C.*—

(*a*) in sub-section (2), after sub-clause (*iii*) of clause (*a*), insert—

"(*iv*) as a contribution to any provident fund set up by the Central Government and notified by it in this behalf in the Official Gazette;";

(*b*) omit sub-section (*5*).

13. *Section 80D.*—Omit sub-section (*3*).

14. *Section 80E.*—

(*a*) in sub-section (*1*), omit the second proviso;

(*b*) in sub-section (*6*), for clause (*i*), substitute—

'(*i*) whose gross total income includes income which is chargeable under the head "Interest on securities", or "Income from house property", or "Capital gains", or any income chargeable under the head "Income from other sources" in so far as it is not immediately derived from personal exertion of the individual, and the aggregate amount of all such income is more than ten thousand rupees; or';

(*c*) for sub-section (*7*), substitute—

'(*7*) The amount of deduction under this section shall not in any case exceed the amount of the income computed under the head "Profits and gains of business or profession" included in the gross total income.';

(*d*) omit sub-section (*8*).

15. *Section 80F.*—Omit sub-section (*3*).

16. *Section 80G.*—Omit sub-section (*6*).

17. *Section 80L.*—For sub-section (*1*), substitute—

"(*1*) Where the gross total income of an assessee includes any income by way of dividends from an Indian company or Indian companies, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction as specified hereunder, namely:—

(*i*) in a case where the amount of such dividends does not exceed five hundred rupees, the whole of such amount;

(*ii*) in any other case, five hundred rupees.".

18. *Section 80N.*—For "there shall be allowed a deduction from such income of an amount equal to sixty per cent. thereof", substitute "there shall be allowed a deduction of the whole of such income".

19. *Section 80O.*—For "there shall be allowed a deduction from such income of an amount equal to sixty per cent. thereof", substitute "there shall be allowed a deduction of the whole of such income".

20. After section 80T, insert in Chapter VIA—

"D. *Other deductions*

Deduction in the case of blind persons.

80U. In computing the total income of an individual, being a resident, who is totally blind as at the end of the previous year, there shall be allowed a deduction of a sum of two thousand rupees:

Provided that such individual produces before the Income-tax Officer, in respect of the first assessment year for which deduction is claimed under this section, a certificate as to his total blindness from a registered medical practitioner, being an oculist.".

21. *Section 86.*—Omit clause (*iv*).

22. *Section 109.*—For clause (*ii*) and the *Explanation* thereto, substitute—

'(*ii*) "investment company" means a company whose gross total income consists mainly of income which is chargeable under the heads "Interest on securities", "Income from house property", "Capital gains" and "Income from other sources",'.

23. *Section 288A.*—

(*a*) in sub-section (*1*), for "(*1*) Subject to the provisions of sub-section (2), the amount of total income", substitute "The amount of total income";

(*b*) omit sub-section (*2*);

(*c*) omit the *Explanation*

24. In the Fifth Schedule,—

(*a*) for "[*See* sections 33(*1*)(*b*)(*B*)(*i*) and 80B(7)]", substitute "[*See* section 33(*1*)(*b*)(*B*)(*i*)]";

(*b*) after item (*27*), insert—

"(*28*) Processed seeds.

(*29*) Processed concentrates for cattle and poultry feed.

(*30*) Processed (including frozen) fish and fish products.

(*31*) Vegetable oils and oil-cakes manufactured by the solvent extraction process from seeds other than cotton seed.".

25. After the Fifth Schedule, insert—

'THE SIXTH SCHEDULE

[*See* sections 80B(7), 80I and 80M]

List of articles and things

(*1*) Iron and steel (metal), ferro-alloys and special steels.

(*2*) Aluminium, copper, lead and zinc (metals).

(*3*) Coal, lignite, iron ore, bauxite, manganese ore, dolomite, limestone, magnesite and mineral oil.

(*4*) Industrial machinery specified under the heading "8. Industrial machinery", sub-heading "A. Major items of specialised equipment used in specific industries", of the First Schedule to the Industries (Development and Regulation) Act, 1951. 65 of 1951.

(*5*) Boilers and steam generating plants, steam engines and turbines and internal combustion engines.

(*6*) Flame and drip proof motors.

(*7*) Equipment for the generation and transmission of electricity including transformers, cables and transmission towers.

(*8*) Machine tools and precision tools (including their attachments and accessories, cutting tools and small tools), dies and jigs.

(*9*) Tractors, earth-moving machinery and agricultural implements.

(*10*) Motor trucks and buses.

(*11*) Steel castings and forgings and malleable iron and steel castings.

(*12*) Cement and refractories.

(*13*) Fertilisers, namely, ammonium sulphate, ammonium sulphate nitrate (double salt), ammonium nitrate, calcium ammonium nitrate (nitrolime stone), ammonium chloride, super phosphate, urea and complex fertilisers of synthetic origin containing both nitrogen and phosphorus, such as ammonium phosphates, ammonium sulphate phosphate and ammonium nitro phosphate.

(*14*) Soda ash.

(*15*) Pesticides.

(*16*) Paper and pulp including newsprint.

(*17*) Electronic equipment, namely, radar equipment, computers, electronic accounting and business machines, electronic communication equipment, electronic control instruments and basic components, such as valves, transistors, resistors, condensors, coils, magnetic materials and micro wave components.

(*18*) Petrochemicals including corresponding products manufactured from other basic raw materials like calcium carbide, ethyl alcohol or hydrocarbons from other sources.

(*19*) Ships.

(*20*) Automobile ancillaries.

(*21*) Seamless tubes.

(*22*) Gears.

(*23*) Ball, roller and tapered bearings.

(*24*) Component parts of the articles mentioned in items Nos. (*4*), (*5*), (*7*) and (*9*), that is to say, such parts as are essential for the working of the machinery referred to in the items aforesaid and have been given for that purpose some special shape or quality which would not be essential for their use for any other purpose and are in complete finished form and ready for fitment.

(*25*) Cotton seed oil.

(*26*) Tea.

(*27*) Printing machinery.

(*28*) Processed seeds.'.

THE FOURTH SCHEDULE

(*See* section 34)

PART I

In the First Schedule to the Tariff Act, in Item No. 22(4) (*a*), for the entry in the fourth column, the entry "Rs. 45 per litre or

170 per cent. *ad valorem*, whichever is higher", shall be substituted.

PART II

Item No.	Name of article	Nature of duty	Standard rate of duty	Preferential rate of duty if the article is the produce or manufacture of The United Kingdom	Preferential rate of duty if the article is the produce or manufacture of A British Colony	Duration of protective rates of duty
1	2	3	4	5	6	7

In the First Schedule to the Tariff Act, for Item No. 9 (3), the following Item shall be substituted, namely :—

"9(3)	The following spices, whether ground or unground, namely :—					
	cardamoms, cassia, cinnamon, cloves, nutmegs and pepper					
	(*a*) Cloves	Preferential Revenue.	Rs. 18 per kilogram.	..	Rs. 18 per kilogram *less* 7½ per cent. *ad valorem.*	—
	(*b*) Cassia and cinnamon.	Preferential Revenue.	Rs. 20 per kilogram.	.	Rs. 20 per kilogram *less* 7½ per cent. *ad valorem.*	—
	(*c*) Others	Preferential Revenue.	100 per cent. *ad valorem*	..	92½ per cent. *ad valorem.*	—

STATEMENT OF OBJECTS AND REASONS

The object of this Bill is to give effect to the financial proposals of the Central Government for the financial year 1968-69 and to provide for certain connected matters. Opportunity has been taken to simplify and rationalise some of the provisions of the Income-tax Act. The Notes on clauses explain the various provisions contained in the Bill.

NEW DELHI;

The 29th February, 1968

MORARJI DESAI.

Notes on clauses

Clause 2, read with the First Schedule to the Bill, seeks to lay down the rates at which income-tax, including surcharges in the case of non-corporate tax-payers, is to be levied on incomes chargeable to tax for the assessment year 1968-69. Further, it lays down the rates at which tax is to be deducted at source during the financial year 1968-69 from incomes other than "Salaries"; the rates at which tax is to be deducted at source from "Salaries" and the retirement annuities referred to in section 80E (9) of the Income-tax Act; and the rates at which "advance tax" is to be computed, and tax is to be calculated or charged in special circumstances, in respect of the financial year 1968-69.

Rates of income-tax for the assessment year 1968-69.—The rates of income-tax (including surcharges) in the case of non-corporate tax-payers on incomes assessable for the assessment year 1968-69 are the same as specified in Part III of the First Schedule to the Finance (No. 2) Act, 1967 for the purposes of deduction of tax at source from "Salaries" and for computation of "advance tax" in respect of the financial year 1967-68. Similarly, in the case of corporate tax-payers, the rates of income tax on incomes chargeable to tax for the assessment year 1968-69 are the same as laid down in Part III of the First Schedule to the Finance (No. 2) Act, 1967 for the purposes of computing "advance tax" payable by companies in respect of the financial year 1967-68. These rates have been specified in Part I of the First Schedule to the Bill.

Part II of the First Schedule to the Bill specfies the rates at which income-tax (including surcharge where applicable) is to be deducted at source during the financial year 1968-69 from incomes other than "Salaries" and retirement annuities referred to in section 80E(9). These rates, taken together with the element of surcharge, are equivalent, in each case, to the rates specified in Part II of the First Schedule to the Finance (No. 2) Act, 1967 for deduction of tax at source from incomes other than "Salaries" during the financial year 1967-68 In the rates specified in the Bill for deduction of tax at source from the incomes payable to non-corporate persons, the element of basic income-tax and surcharge have been so adjusted that the element of surcharge works out to 10 per cent. of the element of the basic income-tax. This element of surcharge corresponds to the surcharge leviable on the incomes of non-corporate tax-payers at the rate of 10 per cent. of the basic tax. The quantum of the basic income-tax and surcharge, in the aggregate is the same as under the Finance (No 2) Act, 1967 The readjustment

of the element of basic income-tax and surcharge has been necessitated in view of the proposed discontinuance of the existing surcharges on unearned and earned incomes in the case of individuals, Hindu undivided families and other non-corporate tax-payers for the purposes of deduction of tax at source from "Salaries" and computation of "advance tax" in respect of the financial year 1968-69.

Part III of the First Schedule to the Bill specifies the rates at which income-tax is to be deducted at source from "Salaries" and retirement annuities referred to in section 80E(9) of the Income-tax Act and also the rates at which "advance tax" is to be computed, and income-tax is to be calculated or charged in special cases, in respect of the financial year 1968-69. This rate schedule has been formulated with a view to rationalise the tax structure and simplify tax calculations. The new features distinguishing this rate schedule from the corresponding rate schedule in Part III of the First Schedule to the Finance (No. 2) Act, 1967, are as follows:—

Individuals, Hindu undivided families, unregistered firms and other non-corporate tax-payers

The levy of separate surcharges of income-tax in relation to unearned and earned incomes in excess of specified limits, has been dropped. At the same time, in order to achieve progression in the incidence of tax on incomes above Rs. 1 lakh—which at present is done through the levy of ordinary surcharges in relation to unearned and earned incomes—the rates of income-tax on income in the slabs over Rs. 1 lakh have been stepped up from 65 per cent. applicable at present, to 70 per cent. on the income in the slab of Rs. 1,00,001—2,50,000, and 75 per cent. on income in the slab over Rs. 2,50,000.

At present, a resident married individual is entitled to tax relief of Rs. 75, calculated on the spouse allowance of Rs. 1,500 at 5 per cent., even where the spouse has an independent taxable income. The Bill provides that the tax relief on account of spouse allowance will not be available to a married individual where the spouse of the individual has an independent taxable income, *i.e.*, total income exceeding Rs 4,000, in respect of the previous year relevant to the assessment year 1969-70.

No change has been proposed in the levy of special surcharge (termed as "surcharge" in Part III of the First Schedule) which has been specified at the rate of 10 per cent. of the basic income-tax.

Co-operative societies

In view of the proposed discontinuance of the levy of separate surcharges in relation to unearned and earned incomes in the case of non-corporate tax-payers as mentioned above, the ordinary surcharge in the case of co-operative societies, leviable at present at 6¼ per cent. of the basic income-tax on their income in the slab over Rs. 25,000, has been dropped. Further, the marginal rate of basic income-tax on the incomes of co-operative societies, in the slab over Rs. 25,000, has been specified in the round figure of 40 per cent. as against 41 per cent. applicable at present.

Registered firms

In the case of registered firms, the rates of income-tax on their income in the slab over Rs. 50,000 have been revised upwards from 8 per cent. to 12 per cent. in the income slab of Rs. 50,001—Rs. 1,00,000 and from 12 per cent. to 20 per cent. on the income over Rs. 1 lakh. This has been done in the context of the proposed provisions sought to be made in the Income-tax Act, under items 9 and 21 of the Third Schedule to the Bill for rationalisation and simplification of the existing system of charging tax on partnership incomes derived from registered firms. Under the said provisions, the income-tax borne by the registered firm will be deducted straightaway from its total income in determining the individual shares of the partners in the firm's income, in replacement of the present basis under which such shares are worked out without deducting the tax borne by the firm, and the partners are granted rebate of tax in their individual assessments on the proportionate amount of the tax borne by the firm.

Local authorities

In the case of local authorities, it is proposed to merge in the existing rate of basic income-tax of 45 per cent., the element of ordinary surcharge of 10 per cent. thereof and to prescribe the basic rate of income-tax in a round figure of 50 per cent. in the interest of simplification. Special surcharge (termed as "surcharge" in Part III of the First Schedule) is proposed to be levied, as before, at the rate of 10 per cent. of the basic income-tax as stated above.

Companies

At present, domestic companies (other than those which are under an obligation under section 104 of the Income-tax Act to distribute dividends up to the statutory percentage of their distributable income) are chargeable to an additional income-tax at the rate of 7·5 per cent. with reference to the "relevant amount of distributions of dividends" by them, *i.e.*, distributions of equity dividends during the relevant previous year in excess of 10 per cent. of their paid-up equity capital as on the 1st day of that year, taken together with any excess distributions of past years on which the tax at 7·5 per cent. could not be charged due to insufficiency of the total income in those years. It is proposed to discontinue the levy of this additional income-tax.

Clause 3, read with the Second Schedule to the Bill, prescribes the rates at which annuity deposits are required to be made by resident non-corporate tax-payers on their incomes liable to tax for the assessment year 1968-69. These rates are the same as are in force at present in respect of deposits to be made during the current financial year 1967-68, namely, the rates specified in the Second Schedule to the Finance (No. 2) Act, 1967, as increased by the Taxation Laws (Amendment) Act, 1967.

No provision has been made for annuity deposits during the financial year 1968-69 in relation to incomes falling due for assessment in the succeeding assessment year 1969-70. This is in view of the provisions sought to be made in the Income-tax Act by clauses 23, 24 and 25 of the Bill for the discontinuance of the requirement of making annuity deposits in relation to incomes assessable for the assessment year 1969-70 and subsequent years.

Clause 4 seeks to amend clause (37A) of section 2 of the Income-tax Act to include in the definition of the expression "rate or rates in force" a reference to sub-section (9) of section 80E of the Act. The effect of the amendment will be that the rates of income-tax and surcharge specified in Part III of the First Schedule will be applicable, *inter alia*, for the purpose of deduction of tax at source from any payment referred to in sub-section (9) of section 80E.

Clause 5 seeks to introduce two new sections 35B and 35C in the Income-tax Act.

New section 35B provides for the grant of "Export markets development allowance" to an assessee being a domestic company or a person (other than a company) resident in India, who incurs, after the 29th February, 1968, expenditure under specified categories

for development of export markets. The allowance is in an amount equal to one and one-third times the amount of the qualifying expenditure. The qualifying categories of expenditure include, *inter alia*, expenses on advertisement or publicity outside India in respect of goods, services or facilities which the assessee deals in or provides in the course of his business, expenditure on obtaining information regarding foreign markets for such goods, services or facilities, expenses on the maintenance of a branch, office or agency abroad for the promotion of the sale of such goods, services or facilities, expenses on the preparation and submission of tenders abroad for the supply or provision of such goods, services or facilities, etc. The allowance will be available with reference to expenditure of the specified categories incurred directly by the taxpayer and also that incurred in association with any other person.

New section 35C provides, in the case of any company engaged in the manufacture or processing of articles or things out of, or by using, any product of agriculture, animal husbandry or dairy or poultry farming, a deduction in an amount equal to one and one-fifth times the amount of expenditure incurred by it after 29th February, 1968 in the provision of agricultural inputs and extension services to a cultivator, grower or producer in India of the agricultural raw materials used by it. The agricultural inputs may be by way of supply of fertilizers, seeds, pesticides, tools or implements; the extension services include dissemination of information on modern agricultural techniques, advice on such techniques and demonstration of modern agricultural techniques or methods. The deduction will be available where the expenditure is incurred directly by the company and also where it is incurred through an association or body which has been approved in this behalf by the prescribed authority.

Clause 6 seeks to amend sub-section (*2A*) of section 37 of the Income-tax Act by way of adding an *Explanation* thereto. The effect of the amendment is to include within the purview of the limits specified in sub-section (*2A*) of section 37, entertainment allowance granted by the assessee to an employee or other person and also expenditure in the nature of entertainment expenditure incurred by the employee or other person for the purposes of the business or profession of the assessee.

Clause 7 seeks to introduce a new section 40A in the Income-tax Act. Sub-section (*2*) of new section 40A provides that where the assessee incurs any expenditure in respect of which payment has been, or is to be, made to a relative or to an associate concern, so much of the expenditure as is considered by the Income-tax Officer to be excessive or unreasonable having regard to the fair market

value of the goods, services or facilities for which the payment is made or the legitimate needs of the business or profession of the assessee or the benefit derived by or accruing to him therefrom, shall not be allowed as a deduction "Relative" is defined in clause (41) of section 2 of the Income-tax Act Where the taxpayer is a firm, Hindu undivided family or association of persons, the relationship will be reckoned for the purposes of new section 40A with reference to the partners of the firm and members of the family or association. Similarly, where the taxpayer is a company, the relationship will be reckoned with reference to the directors or substantial shareholders. Associate concern is a concern which has a substantial interest in the business of the taxpayer or in which the taxpayer or any relative has a substantial interest.

Sub-section (3) of new section 40A provides for the disallowance of any expenditure in respect of which payment is made after a date to be notified by the Central Government (such date being not later than the 31st March, 1969) in a sum exceeding Rs. 2,500 otherwise than by a crossed cheque drawn on a bank or by a crossed bank draft. This provision is not, however, to apply in such cases and under such circumstances as may be prescribed in the Income-tax Rules having regard to the nature and extent of banking facilities available, considerations of business expediency and other relevant factors.

Clause 8 seeks to amend section 58 of the Income-tax Act. The effect of the amendment will be that the provisions relating to disallowance of payments to relatives and associate concerns and payments in amounts exceeding Rs. 2,500 made otherwise than by crossed cheque or crossed bank draft, under new section 40A sought to be introduced in the Income-tax Act by clause 7 of the Bill, will be made applicable to the computation of income under the head "Income from other sources"

Clause 9 seeks to amend section 80K of the Income-tax Act. Under the existing provisions of section 80K, the deduction in respect of dividends attributable to the "tax holiday" profits of the company paying the dividends is available only to the registered shareholder The effect of the proposed amendment will be that this deduction will be available to the beneficial owner of the shares, whether the shares are registered in his name or in the name of any other person.

Clause 10 seeks to amend section 80M of the Income-tax Act. The effect of the amendment will be that the concessional tax treatment in respect of dividends received by a company from any domestic company will be available to the recipient company even

where the shares to which the dividend relates are registered in the name of a person other than the recipient company

Clause 11 seeks to introduce a new section 141A in the Income-tax Act. New section 141A enables the Income-tax Officer to make a provisional assessment on the basis of the return of income and accounts and documents accompanying it in a case where the assessee claims that the advance tax paid by him and the tax deducted at source from any part of his income exceeds the tax payable on the basis of such return, accounts and documents. The Income-tax Officer may make a provisional assessment in such a case if he is of opinion that the regular assessment is likely to be delayed. If, on making the regular assessment, it is found that the amount of refund allowed to the assessee on the provisional assessment is in excess of the amount due to him, such excess will be deemed to be tax payable by the assessee and be recoverable from him

Clause 12 seeks to amend section 153 of the Income-tax Act The effect of the amendment will be that the period for making an assessment under section 143 or section 144 will be reduced from four years to two years in respect of the assessment year 1969-70 and later years.

Clause 13 of the Bill seeks to amend section 192 of the Income-tax Act. The amendment is purely of a drafting nature and brings the language of section 192 in line with the language of clause (37A) of section 2 of the Income-tax Act which defines the expression "rates in force".

Clause 14 seeks to make certain amendments in section 194A of the Income-tax Act.

Sub-clause (*a*) seeks to amend sub-section (*2*) of section 194A Under the existing sub-section (*2*), the statement in writing to be made by a person who does not have a taxable income (to be furnished by him for the purpose of receiving his interest income without deduction of tax at source) has to be signed in the presence of a Gazetted Officer of the Central or a State Government and bear attestation by such officer. The effect of the amendment will be that such statement may also be signed in the presence of, and attested by, a Member of Parliament or a State Legislature, a member of a District Council, Metropolitan Council, Municipal Corporation or Municipal Committee, or an officer of any banking company (including a co-operative bank) of the rank of sub-agent, agent or manager.

Sub-clause (*b*) seeks to amend sub-section (*3*) of section 194A Under one of these amendments, the Central Government will be empowered to notify any class of institutions, associations or bodies

for the purpose of entitling them to receive their interest income without deduction of tax at source. At present, the Central Government is empowered to notify individual institutions, associations or bodies only.

The other amendment made by sub-clause (b) seeks to exempt from deduction of tax at source any income by way of interest credited or paid by a firm to a partner of the firm and any such income credited or paid by a co-operative society to any other co-operative society.

Clause 15 seeks to make certain amendments in section 199 of the Income-tax Act.

The effect of the amendment in sub-clause (*a*) will be that the credit for the tax deducted at source from income by way of salaries, interest on securities, dividends, etc., will be allowed to the assessee in the provisional assessment, if any, made under the new section 141A proposed to be inserted in the Income-tax Act by clause 11 of the Bill.

Sub-clause (*b*) seeks to substitute the existing provisos to section 199 of the Income-tax Act by two new provisos with retrospective effect from the commencement of the Income-tax Act.

The provisions of clause (*i*) of the first proviso and the second proviso are, in substance, the same as the provisions of the existing first and second provisos, respectively.

Clause (*ii*) of the first proviso seeks to empower the Central Board of Direct Taxes to prescribe in the Income-tax Rules the circumstances in which credit for the tax deducted at source from dividends on shares may be granted to a person other than the registered shareholder where such dividend is assessable as the income of the other person.

Clause 16 seeks to amend section 214 of the Income-tax Act. The amendments are consequential to the insertion of new section 141A in the Income-tax Act under clause 11 of the Bill.

Clause 17 seeks to amend section 219 of the Income-tax Act. The amendment is consequential to the insertion of new section 141A in the Income-tax Act under clause 11 of the Bill.

Clause 18 seeks to amend section 239 of the Income-tax Act. The effect of the amendment will be that the time limit for making a claim for refund of tax will be reduced from four years to two years in a case where the claim is in respect of income which is assessable for the assessment year 1969-70 or any later year.

Clause 19 seeks to amend sub-section (*1*) of section 271 of the Income-tax Act. The effect of the amendment will be that the minimum penalty leviable in a case where a person has concealed the particulars of his income or furnished inaccurate particulars of such income will be an amount equal to the concealed income, as against 20 per cent. of the tax sought to be avoided, and the maximum penalty, equal to twice the concealed income, as against one and a half times the tax sought to be avoided, under the existing provision.

Clause 20 seeks to amend clause (*d*) of section 276 of the Income-tax Act This amendment is consequential to the proposed insertion of the new section 276B in the Income-tax Act by clause 21 of the Bill

Clause 21 seeks to insert a new section 276B in the Income-tax Act. The new section seeks to provide that a person who fails to deduct or after deducting fails to pay the tax as required by or under the provisions of sub-section (*9*) of section 80E or Chapter XVII-B of the Income-tax Act, shall be punishable, on conviction before a court, with rigorous imprisonment up to six months, and shall also be liable to fine. The fine shall be not less than a sum calculated at the rate of 15 per cent. per annum on the tax in default for the period up to the date of the payment of the tax to the credit of the Central Government

Clause 22 seeks to amend sub-section (*1*) of section 279 of the Income-tax Act. This amendment is consequential to the proposed insertion of the new section 276B in the Income-tax Act by clause 21 of the Bill.

Clause 23 seeks to amend section 280C of the Income-tax Act. The effect of the amendment will be that there will be no requirement of making annuity deposits under the Income-tax Act in relation to incomes assessable for the assessment year 1969-70 or any subsequent assessment year.

Clause 24 seeks to amend section 280O of the Income-tax Act. The amendment is consequential to the discontinuance of the requirement of making annuity deposits with effect from the assessment year 1969-70.

Clause 25 seeks to amend section 280X of the Income-tax Act The amendment is consequential to the discontinuance of the requirement of making annuity deposits with effect from the assessment year 1969-70.

Clause 26 seeks to substitute sub-section (6) of section 280Z of the Income-tax Act by a new sub-section. Under the existing sub-section (6) of the said section, the amount of a tax credit certificate is required to be adjusted initially against any existing tax liability of the certificate holder as on the date on which the certificate is produced before the Income-tax Officer for such adjustment and thereafter against any further tax liability which may arise against the certificate holder during the following 12-month period. The balance amount of the certificate, if any, is refundable to the certificate holder only after the expiry of the said 12-month period.

Under sub-section (6) as proposed to be substituted, the waiting period of 12 months, as stated above, will be eliminated. If, after the initial adjustment of the amount of the tax credit certificate against any existing tax liability of the certificate holder, any amount remains due to him on the certificate, it will be refundable to him forthwith.

Clause 27 seeks to substitute sub-section (3) of section 280ZA of the Income-tax Act by a new sub-section. Under the existing sub-section (3) of the said section, the amount of a tax credit certificate granted to a public company is required to be adjusted initially against any existing tax liability of the company as on the date on which the certificate is produced before the Income-tax Officer for such adjustment and thereafter against any further tax liability which may arise against the company during the following 12-month period. The balance amount of the certificate, if any, is refundable to the company only after the expiry of the said 12-month period.

Under sub-section (3) as proposed to be substituted, the waiting period of 12-months, as stated above, will be eliminated. If, after the initial adjustment of the amount of the tax credit certificate against any existing tax liability of the company, any amount remains due on the certificate, it will be refundable forthwith.

Clause 28 seeks to amend sub-section (2) of section 280ZB of the Income-tax Act. Under the existing sub-section (2) of the said section, the amount of a tax credit certificate granted to a company is required to be adjusted initially against any existing tax liability of the company as on the date on which the certificate is produced before the Income-tax Officer for such adjustment and thereafter against any further tax liability which may arise against the company during the following 12-month period. The balance amount of the certificate, if any, is refundable to the company only after the expiry of the said 12-month period.

Under sub-section (2) as proposed to be amended, the waiting period of 12-months, as stated above, will be eliminated. If, after the initial adjustment of the amount of the tax credit certificate against any existing tax liability of the company, any amount remains due on the certificate, it will be refundable forthwith.

Clause 29 seeks to amend sub-section (5) of section 280ZD of the Income-tax Act. Under the existing sub-section (5) of the said section, the amount of a tax credit certificate is required to be adjusted initially against any existing tax liability of the certificate holder as on the date on which the certificate is produced before the Income-tax Officer for such adjustment and thereafter against any further tax liability which may arise against the certificate holder during the following 12-month period. The balance amount of the certificate, if any, is refundable to the certificate holder only after the expiry of the said 12-month period.

Under sub-section (5) as proposed to be amended, the waiting period of 12 months, as stated above, will be eliminated If after the initial adjustment of the amount of the tax credit certificate against any existing tax liability of the certificate holder, any amount remains due to him on the certificate, it will be refundable to him forthwith.

Clause 30 seeks to make some further amendments, specified in the Third Schedule, in the Income-tax Act with effect from the 1st April, 1969.

Item 1 of the Third Schedule seeks to amend the definition of 'short-term capital asset' contained in clause (*42A*) of section 2 of the Income-tax Act. Under the existing provision, a capital asset held by a person for not more than twelve months immediately preceding the date of its transfer is treated as a 'short-term capital asset'. The effect of the proposed amendment will be that a capital asset held by a person for not more than twenty-four months immediately preceding the date of its transfer will be treated as a 'short-term capital asset', and any gains arising from the sale or transfer of such asset will be treated as 'short-term capital gains.

Item 2 of the Third Schedule seeks to make certain amendments in section 10 of the Income-tax Act.

Clause (a) of this item seeks to amend clause (*4A*) of section 10 of the Income-tax Act The effect of the proposed amendment will be that the exemption from tax hitherto available in respect of interest income credited to all non-resident accounts, will be available

only in respect of interest credited to accounts designated as "Non-resident (External) Account" in accordance with the Foreign Exchange Regulation Act, 1947, and the rules made thereunder. This provision will be effective in respect of income assessable for the assessment year 1969-70 and subsequent years.

Clause (*b*) *of this item* seeks to amend clause (*11*) of section 10 of the Income-tax Act. The effect of this amendment will be that any payment from a provident fund set up by the Central Government and notified by it in this behalf in the Official Gazette will be exempt from tax in the hands of the recipient, in the same manner as a payment from a provident fund to which the Provident Funds Act, 1925 applies.

Clause (c) *of this item* is self-explanatory.

Item 3 of the Third Schedule seeks to substitute clause (*iv*) of section 16 of the Income-tax Act by a new clause. Under the existing provisions of clause (*iv*), a salaried taxpayer not in receipt of a conveyance allowance from his employer and owning a conveyance and using it for the purposes of his employment, is entitled to a deduction, in the computation of his salary income for (*a*) the expenses incurred by him in the maintenance of the conveyance, and (*b*) the expenditure represented by its normal wear and tear, in a sum which the Income-tax Officer estimates to be reasonably attributable to the use of the conveyance for the purpose of his employment. The new clause (*iv*) seeks to provide, in replacement of the existing provisions, for a standard deduction for various categories of conventional conveyances, to be calculated in respect of each month or part thereof for which the conveyance has been used for the purposes of employment. The standard deduction for a motor car is Rs. 150 per month where the gross salary income of the taxpayer does not exceed Rs. 15,000; Rs. 200 per month where it is over Rs. 15,000 but not over Rs. 25,000; and Rs. 250 per month where the gross salary income for the year is over Rs. 25,000. In respect of a motor cycle, scooter or other moped, the standard deduction is Rs. 50 per month and in respect of a bicycle Rs. 5 per month. Where the taxpayer owns and uses any other class of conveyance, the deduction will be for a sum which the Income-tax Officer may, on the facts and circumstances of each case, estimate to be reasonably attributable to the use of the conveyance for the purposes of employment.

Item 4 of the Third Schedule seeks to substitute the first proviso and the *Explanation* thereto in sub-section (*1*) of section 23 of the Income-tax Act, by a new proviso. Under the existing provisions,

the annual value of house property let out to a tenant is determined after deducting the "tenant's liability" for taxes levied by any local authority in respect of the property, in so far as such liability is borne by the owner. In the case of property constructed prior to April 1, 1950, the whole of the local taxes is deemed to be the "tenant's liability" and allowed as a deduction in computing the annual value. In the case of property constructed after March 31, 1950, only one-half of the local taxes is taken to be the tenant's liability. The result is that where the owner of the property bears the whole of the local taxes, only one-half thereof is deductible in computing the annual value of property of post-31-3-1950 construction.

The effect of the proposed amendment will be that the whole of the local taxes, to the extent these are borne by the owner of the property, will be deductible in computing the annual value of the property, irrespective of the date on which its construction was completed.

Item 5 *of the Third Schedule* seeks to make certain amendments in section 24 of the Income-tax Act.

Clause (*a*) *of this item* seeks to omit clause (*iii*) of sub-section (*1*) of section 24. The effect of this amendment will be that in computing income from house property, interest on a mortgage of such house property will not be allowed as a deduction except where the funds raised on the mortgage have been utilised for acquiring, constructing, repairing or renovating the property.

Clause (*b*) *of this item* seeks to amend clause (*iv*) of sub-section (*1*) of section 24. The effect of this amendment will be that in computing income from house property, no deduction will be allowed for an annual charge created by the assessee voluntarily.

Clause (c) *of this item* seeks to amend clause (*vii*) of sub-section (*1*) of section 24. The effect of this amendment will be that in computing income from house property, any tax levied by the State Government in respect of the property will be allowed as a deduction.

Item 6 of the Third Schedule seeks to amend section 40 of the Income-tax Act. The effect of the amendment in clause (*a*) of this item will be that the deduction for any expenditure incurred by the assessee in providing any benefit, amenity or perquisite to his employees will be limited to one-fifth of the salary of the employee or an amount calculated at the rate of Rs. 1,000 per mensem in respect of each employee, whichever is less. At present, the limit over the

deduction for such expenditure is applicable only in the case of company employers under sub-clause (*iii*) of clause (c) of section 40 This is sought to be omitted by clause (b) of this item. Further, any expenditure (by way of repairs, maintenance, etc.) or allowance (by way of depreciation) in respect of any assets of the assessee provided to the employee for his benefit will also be brought within the purview of the limit. Expenditure on providing benefits, amenities or perquisites to employees whose salary income does not exceed Rs. 7,500, and certain extraordinary items of expenditure, such as gratuity payments, travel concessions, passage moneys, tax on the salary of a foreign technician, compensation, etc , will not be taken into account in applying the limit.

Item 7 of the Third Schedule seeks to amend clause (4) of section 43 which defines the term "scientific research". Under the amendment, any activities for the extension of knowledge in the field of agriculture, animal husbandry or fisheries will also be brought within the definition of "scientific research".

Item 8 of the Third Schedule seeks to amend section 58 of the Income-tax Act. The effect of the amendment will be that the limit over the deductible amount of expenditure incurred by an assessee in the provision of any benefit, amenity or perquisite to his employees, in sub-clause (*v*) of clause (*a*) of section 40 as proposed to be inserted under item 6 of this Schedule, will be made applicable to the computation of income under the head "Income from other sources".

Item 9 of the Third Schedule seeks to amend sub-section (1) of section 67 of the Income-tax Act. The effect of this amendment will be that the tax payable by a registered firm in respect of its total income will be deductible from such total income for the purpose of determining the shares of the partners in the income of the firm. This provision is in replacement of the existing provision in clause (*iv*) of section 86 of the Income-tax Act under which rebate of tax is admissible to a partner of a registered firm in respect of a proportionate part of the tax payable by the registered firm. Clause (*iv*) of section 86 is, in consequence, proposed to be omitted by item 21 of this Schedule.

Item 10 of the Third Schedule seeks to amend section 80A of the Income-tax Act. This amendment is consequential to the insertion of the new section 80U by item 20 of this Schedule.

Item 11 of the Third Schedule seeks to amend section 80B of the Income-tax Act.

Clause (a) of this item seeks to omit the definitions of "earned income" and "unearned income" contained in clause (3) of section

80I of the Income-tax Act. This amendment is consequential to the position that no provision has been made in Part III of the First Schedule for the levy of surcharges of income-tax in relation to earned and unearned incomes in the case of certain non-corporate tax-payers.

Clause (b) of this item seeks to amend clause (7) of section 80B which contains the definition of "priority industry". Under the amendment, the reference to the Fifth Schedule in the definition of "priority industry" will be substituted by a reference to the Sixth Schedule. This amendment is consequential to the insertion of the Sixth Schedule in the Income-tax Act under item 25 of this Schedule.

Item 12 of the Third Schedule seeks to amend section 80C of the Income-tax Act.

Clause (a) of this item seeks to amend sub-section (2) of section 80C. The effect of this amendment will be that the deduction under sub-section (1) of section 80C will be available to an individual with reference also to his contribution to any provident fund set up by the Central Government and notified by it in this behalf in the Official Gazette, subject to the other provisions of section 80C.

Clause (b) of this item seeks to omit sub-section (5) of section 80C of the Income-tax Act. This amendment is consequential to the position that no provision has been made in Part III of the First Schedule for the levy of surcharges of income-tax in relation to earned and unearned incomes in the case of certain non-corporate tax-payers.

Item 13 of the Third Schedule seeks to omit sub-section (3) of section 80D of the Income-tax Act. This amendment is consequential to the position that no provision has been made in Part III of the First Schedule for the levy of surcharges of income-tax in relation to earned and unearned incomes in the case of certain non-corporate tax-payers.

Item 14 of the Third Schedule seeks to amend sub-sections (1), (6) and (7) and to omit sub-section (8) of section 80E of the Income-tax Act. These amendments are consequential to the position that no provision has been made in Part III of the First Schedule for the levy of surcharges of income-tax in relation to earned and unearned incomes in the case of certain non-corporate tax-payers.

Item 15 of the Third Schedule seeks to omit sub-section (3) of section 80F of the Income-tax Act. This amendment is consequential to the position that no provision has been made in Part III of the

First Schedule for the levy of surcharges of income-tax in relation to earned and unearned incomes in the case of certain non-corporate tax-payers.

Item 16 of the Third Schedule seeks to omit sub-section (6) of section 80G of the Income-tax Act. This amendment is consequential to the position that no provision has been made in Part III of the First Schedule for the levy of surcharges of income-tax in relation to earned and unearned incomes in the case of certain non-corporate tax-payers.

Item 17 of the Third Schedule seeks to amend sub-section (1) of section 80L of the Income-tax Act. Under the existing provisions of this sub-section, an assessee whose income by way of dividends included in the gross total income does not exceed five hundred rupees, is entitled to a deduction of the entire amount of the Indian company dividends included therein in the computation of his total income. Where, however, the aggregate dividend income of the assessee exceeds Rs. 500 in the year, this deduction is not available at all. The effect of the proposed amendment will be that the amount of Indian company dividends up to Rs. 500 will be deducted in computing the total income in all cases, *irrespective of the quantum of the dividend income of the assessee.*

Item 18 of the Third Schedule seeks to amend section 80N of the Income-tax Act. The effect of this amendment will be that in the case of an Indian company receiving dividends from a foreign company on shares in the foreign company allotted to it in consideration of the supply of technical "know-how" or technical services under an approved agreement, the whole of the dividend income will be allowed as a deduction in computing the total income of the Indian company. At present only 60 per cent of such income is admissible as a deduction.

Item 19 of the Third Schedule seeks to amend section 80O of the Income-tax Act. The effect of this amendment will be that in the case of an Indian company receiving royalties, commission, fees, etc., from a foreign company in consideration of the supply of technical "know-how" or technical services under an approved agreement, the whole of such income will be allowed as a deduction in computing the total income of the Indian company. At present only 60 per cent. of such income is admissible as a deduction.

Item 20 of the Third Schedule seeks to insert a new section 80U in Chapter VIA of the Income-tax Act. Under the new section 80U, in computing the total income of a resident individual who is totally

blind as at the end of the previous year, a deduction will be allowed in a sum of Rs. 2,000.

Item 21 of the Third Schedule seeks to omit clause (*iv*) of section 86 of the Income-tax Act. This amendment is consequential to the amendment of section 67 by item 9 of this Schedule.

Item 22 of the Third Schedule seeks to substitute the definition of the term "investment company" in clause (*ii*) of section 109 of the Income-tax Act to secure that a company will be regarded as an investment company if its gross total income consists mainly of income which is chargeable under the head "Interest on securities", "Income from house property", "Capital gains" and "Income from other sources".

Item 23 of the Third Schedule seeks to make certain amendments in section 288A of the Income-tax Act. These amendments are consequential to the position that no provision has been made in Part III of the First Schedule for the levy of surcharges of income-tax in relation to earned and unearned incomes in the case of certain non-corporate tax-payers.

Item 24 of the Third Schedule seeks to amend the Fifth Schedule to the Income-tax Act. The effect of the amendment in clause (*a*) of this item will be that the list of articles and things in the Fifth Schedule will be relevant only for the purposes of deduction of development rebate under section 33, at the higher rate of 35 per cent. of the actual cost of new machinery or plant installed for the manufacture or production of any of the articles or things specified in the Fifth Schedule.

The effect of the amendment in clause (*b*) of this item will be that development rebate at the higher rate of 35 per cent. will be admissible also in respect of new machinery or plant installed for the manufacture or production of processed seeds, processed concentrates for cattle and poultry feed, processed (including frozen) fish and fish products, and vegetable oils and oil-cakes manufactured by the solvent extraction process from seeds other than cotton seed. This amendment will be effective from the assessment year 1969-70.

Item 25 of the Third Schedule seeks to insert a new Sixth Schedule in the Income-tax Act. The new Sixth Schedule contains a list of articles and things relating to "priority industries" for the

purposes of the deductions specified in sections 80I and 80M of the Income-tax Act. Items (1) to (27) of this list are the same as items (1) to (27) of the list of articles and things in the existing Fifth Schedule to the Income-tax Act. Further, "processed seeds" has been added as item (28) in the list of articles and things relating to "priority industries" in the new Sixth Schedule.

Clause 31 seeks to make an independent provision in regard to tax relief on dividends attributable to the "tax holiday" income of the company paying the dividend and dividends received by any company from a domestic company, assessable for any assessment year prior to the year 1968-69.

The effect of sub-clause (*1*) will be that the tax relief under section 85 of the Income-tax Act on dividends attributable to "tax holiday" profits (for assessment years up to and inclusive of the assessment year 1967-68) will be available to the beneficial owner of the shares, whether the shares are registered in his name or in the name of any other person.

The effect of sub-clause (*2*) will be that the tax relief in respect of dividends received by a company from any domestic company under section 85A of the Income-tax Act (for the assessment years 1965-66, 1966-67 and 1967-68) will be available to the recipient company even where the shares to which the dividend relates are registered in the name of a person other than the recipient company.

The effect of sub-clause (*3*) will be that the rebate of super-tax in respect of dividends received by a company from a domestic company under clause (*iv*) of sub-section (*1*) of section 99 of the Income-tax Act (for assessment years up to and inclusive of the assessment year 1964-65) will be available to the recipient company even where the shares to which the dividend relates are registered in the name of a person other than the recipient company.

Clause 32 seeks to make certain amendments in the Wealth-tax Act

Sub-clause (*a*)(*i*) seeks to amend clause (*xvi*) of sub-section (*1*) of section 5 of the Wealth-tax Act to secure that the exemption from wealth-tax provided by the said clause in respect of ten year treasury savings deposit certificates, fifteen year annuity certificates, deposits in post office savings banks, etc., will be available even in cases where these certificates or deposits, etc., owned by the assessee are held in the name of any other person.

Sub-clause (*a*)(*ii*) seeks to insert a new clause (*xvii-a*) in sub-section (*1*) of section 5 of the Wealth-tax Act. Under the new sub-clause (*xvii-a*) of sub-section (*1*) of section 5 the amount standing to the credit of an individual in any provident fund set up by the Central Government and notified by it in this behalf in the Official Gazette will be exempt from wealth-tax and will not be included in the net wealth of the assessee.

Sub-clause (*b*) seeks to make certain amendments in sub-section (*1*) of section 18 of the Wealth-tax Act.

The effect of one of these amendments will be that the minimum penalty leviable in a case where any person has concealed the particulars of any asset or furnished inaccurate particulars of any assets or debts will be equal to the value of the asset which has been concealed or the amount by which the value of the asset has been under-stated or, as the case may be, the value of the debt has been over-stated in the return of net wealth. The maximum penalty leviable in such a case will be twice the amount stated above. Under the existing provision, the minimum penalty is equal to 20 per cent. of the wealth-tax sought to be avoided, and the maximum penalty one and a half times such tax.

The other amendment seeks to clarify that a person shall be deemed to have concealed the particulars of any asset or furnished inaccurate particulars of any asset or debt if he has understated the value of the asset or over-stated the value of the debt in the return of net wealth.

Sub-clause (*c*) seeks to substitute clauses (*a*) and (*b*) of Paragraph A of Part I of the Schedule to the Wealth-tax Act specifying the rates of ordinary wealth-tax, by new clauses (*a*) and (*b*). Under the new clauses (*a*) and (*b*), the rates of wealth-tax will be increased by half per cent. in the slabs of net wealth above rupees ten lakhs. The increased rates will be effective for the assessment year 1969-70 onwards.

Clause 33 seeks to amend the Third Schedule to the Companies (Profits) Surtax Act, 1964. The effect of the amendment will be that with effect from the assessment year 1969-70, the rate of surtax will be reduced from 35 per cent. to 25 per cent. of the net chargeable profits of the company.

Clause 34, read with the Fourth Schedule, seeks to increase the basic import duties on certain items. The changes are:—

(*i*) the usually operative rate of duty on whisky, brandy, gin, etc., is proposed to be raised to Rs. 45 per litre from

the existing rate of Rs. 44 per litre of the strength of London proof, the alternative rate of 170 per cent. *ad valorem* remaining unchanged

(*ii*) the duty on cloves is proposed to be raised to Rs. 18 per kilogram from the existing rate of 100 per cent. *ad valorem*;

(*iii*) the duty on cassia and cinnamon is proposed to be raised to Rs. 20 per kilogram from the existing rate of 100 per cent. *ad valorem*.

Clause 35 seeks to levy up to the 31st March, 1969 a special duty of customs

Clause 36 seeks to provide for levy of regulatory duties of customs up to the 15th May, 1969, on a flexible basis within the specified ceiling rates for regulating or bringing greater economy in imports.

Clause 37 seeks to continue for another year the provisions of the Indian Tariff (Amendment) Act, 1949.

Clause 38.—

Sub-clause (*1*) seeks to empower the Central Government to make rules to provide for deterrent punishment for clandestine production, removal and disposal of excisable goods and for other contraventions of Central Excise Rules committed with intent to evade payment of duty;

Sub-clause (2) (*a*) seeks to levy excise duty on confectionery and chocolates manufactured with the aid of power;

Sub-clause (2) (*b*) (*i*) seeks to raise the rates of duty on unmanufactured tobacco;

Sub-clause (2) (*b*) (*ii*) seeks to delete the *Explanation* under sub-item (5) of Item No. 4 as practical difficulties have been encountered in notifying the varieties of unmanufactured tobacco used in the manufacture of biris;

Sub-clause (2) (*c*) seeks to change the basis for assessment of diesel oil, not otherwise specified, from weight to volume;

Sub-clause (2) (*d*) seeks to change the basis for assessment of furnace oil from weight to volume;

Sub-clause (2) (*e*) seeks to raise the rates of duty on jute manufactures;

Sub-clause (2) (*f*) seeks to levy excise duty on (*1*) imitation leather cloth, rexine, etc., and (2) embroidered pieces, strips or motifs manufactured with the aid of power;

Sub-clause (2) (*g*) seeks to raise the rates of duty on refrigerating and air-conditioning appliances and machinery and parts thereof;

Sub-clause (2) (*h*) seeks to levy excise duty on certain specified parts of wireless receiving sets;

Sub-clause (2) (*i*) seeks to make a clarificatory change in the item relating to gramophones and parts thereof consequent on the proposal to levy duty on parts of wireless receiving sets;

Sub-clause (2) (*j*) seeks to levy excise duty on (*1*) steel furniture manufactured with the aid of power, and (2) crown corks.

Clause 39 seeks to continue up to 31st March, 1969 the existing special duties of excise.

Clause 40 seeks to provide for levy of regulatory duties of excise up to 15th May, 1969 on a flexible basis within the specified ceiling rate, for regulating or bringing greater economy in consumption.

Clause 41 seeks to raise the ceiling rates of additional excise duty on certain petroleum products.

Clause 42, like section 5 of the Finance Act, 1967, provides that salt shall be duty free for another year.

Clause 43 seeks to remove the restrictions and conditions imposed by section 15 of the Central Sales Tax Act, 1956, in regard to the levy on silk fabrics under the sales tax law of a State.

Clause 44 substitutes the First Schedule to the Indian Post Office Act by a new Schedule. The new Schedule seeks to increase the rates of postage in the case of all articles except—

(*i*) registered newspapers the weight whereof exceeds sixty grams; and

(*ii*) packets containing more than one copy of the same issue of a registered newspaper.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 5 seeks to introduce two new section 35B and 35C in the Income-tax Act. New section 35B provides for the grant of "export markets development allowance" to an assessee being a domestic company or a person (other than a company) resident in India who incurs, after the 29th February, 1968, expenditure under certain categories for development of export markets. The section enumerates the various categories of expenditure but to cover cases which cannot be foreseen easily, empowers the Central Board of Direct Taxes to prescribe other categories of expenditure with reference to which the allowance will be available. New section 35C, *inter alia*, provides for prescribing authorities who may approve associations or bodies for the purposes of this section.

Clause 7 seeks to insert a new section 40A in the Income-tax Act. Sub-section (3) of this section provides for the disallowance of any expenditure in respect of which payment is made in a sum exceeding Rs. 2,500 otherwise than by a crossed cheque drawn on a bank or by a crossed bank draft. The proviso to this sub-section seeks to empower the Central Board of Direct Taxes to make rules prescribing the cases and circumstances in which, having regard to the nature and extent of banking facilities available, considerations of business expediency and other relevant factors, it would not be necessary to comply with the requirement as to payment by crossed cheques or bank drafts.

Clause 15(*b*) seeks to substitute for the existing provisos to section 199 of the Income-tax Act two new provisos. Clause (*ii*) of the first of these provisos seeks to empower the Central Board of Direct Taxes to prescribe the circumstances in which credit for the tax deducted at source from dividends on shares may be granted to a person other than the registered shareholder where such dividend is assessable as the income of the other person.

Clause 38(*1*) of the Bill seeks to insert new sub-section (*4*) in section 37 of the Central Excises and Salt Act, 1944. This sub-section enumerates certain categories of contraventions of the Central excise law and authorises the Central Government to make rules providing for confiscation of goods or other properties in respect of such contravention and also for a penalty not exceeding three times the value of the excisable goods in respect of which any such contravention is committed or five thousand rupees whichever is greater,

The delegation of legislative power under the various provisions which are proposed to be inserted in the Income-tax Act pertains essentially to matters of detail. The delegation of legislative power under proposed sub-section (*1*) of section 37 of the Central Excises and Salt Act is necessary for the effective administration of the law. As the sub-section specifies not only the classes of contraventions in respect of which penalties may be prescribed thereunder but also the penalties which may be so prescribed, the delegation of legislative power is of a normal character.

S. L. SHAKDHER,

Secretary.